

BUILDING A SUSTAINABLE FUTURE



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BUILDING A SUSTAINABLE FUTURE

Building a sustainable future

Energy is a lifeline of growth – economic or human. Being a responsible energy company, we are committed to meet energy demands while ensuring minimal impact on the environment and protecting the interests of our stakeholders. We have carefully expanded our product portfolio to include cleaner fuels and made headway in non-conventional energy sources. Our efforts are towards nurturing our employees and business associates by providing them opportunities to achieve their potential. Our focus is on building sustainable communities through appropriate interventions.

Report Scope

'Building a sustainable future' is our fourth sustainable development report covering triple bottom line performance for FY 2009-10. The current report progressively builds on our previous reports Energizing Lives (2006-07), Energy Sustenance (2007-08) and Responsible Development (2008-09). Previously known as Corporate Sustainability Report, this year (2009-10) we have changed it to Sustainable Development Report to create a global outlook and distinct identity. Building a sustainable future has been prepared in accordance with A+ application level of the Global Reporting Initiative (GRI G3) guidelines 2006. The report also refers to the API/IECA Oil and Gas Industry Guidance on Voluntary Sustainability Reporting 2005.

The scope of the report includes seven Strategic Business Units (SBUs) in India over which the Company has significant operational control. The seven SBUs are Refineries, Retail, Lubes, LPG, Industrial & Commercial Aviation and Gas¹. Our subsidiary company Numaligarh Refinery Limited (NRL) is also included in the scope of the report. The retail outlets are excluded from the scope of the report.

As we mature in the reporting process, certain data provided for previous years may not be comparable with the previously published data. This is due to the enhancement and progress made in reporting process. Wherever necessary, explanations are provided to guide the readers on the interpretation of data and information. We strive to make further progress in the reporting journey by expanding our scope and enhancing our reporting systems. This year, we have engaged KPMG to present the gap analysis along with suggestions on sustainable development management strategy for future and provide professional services for developing and designing this Sustainable Development Report. Ernst & Young Pvt. Ltd has provided external assurance on this report.

PERFORMANCE HIGHLIGHTS²

| Criteria | Units | 2009-10 | |
|--|---------------|------------------|------------------|
| | | What we targeted | What we achieved |
| Gross Margin | % | 2.42 | 18.4 |
| Gross Sales | Billion | 1,241.50 | 1,315.00 |
| Customer Satisfaction | | | |
| Reseller (MS/HSD) | % | 96 | 98.5 |
| LPG | % | 93 | 98.1 |
| Aviation | % | 94 | 99 |
| Direct Consumers | % | 94 | 98.2 |
| Refinery Crude throughput | | | |
| Mumbai Refinery | Million Tons | 11.7 | 12.52 |
| Kochi Refinery | Million Tons | 7.55 | 7.89 |
| Quality Assurance Benchmarking | | | |
| Mumbai Refinery | % | 89 | 92.3 |
| Kochi Refinery | % | 89 | 100 |
| Specific Energy Consumption | | | |
| Mumbai Refinery | MBTU/BBL/NRGF | 74 | 71.95 |
| Kochi Refinery | MBTU/BBL/NRGF | 91 | 89.7 |
| Average Refining cost/tonne | | | |
| Mumbai Refinery | | 508 | 460 |
| Kochi Refinery | | 620 | 591 |
| Average Marketing cost/tonne | | 833 | 788 |
| No. of Reportable accidents per million manhours worked (MR+KR+Marketing) | | | |
| | Frequency | 0.43 | 0.17 |
| HSSE training to employees (Mumbai Refinery) | | | |
| | Mandays | 1,575 | 1,787 |

We achieved a market share of 28.70 % for Motor Spirit and 24.17 % for High Speed Diesel.

During the year we conducted 171 leadership development programs for management employees.

360-degree assessments were conducted covering 119 role holders.

¹ As the Gas SBU was formed in the year under review, the performance data does not include Gas SBU. We would be including the same in future reports.

² The targets set are based on the MoU signed between MoPNG and BPCL for the year 2009-10, of which select few have been presented here and may differ from previously reported targets.

CHAIRMAN & MANAGING DIRECTOR'S MESSAGE



As a key complement to our Annual Report, this **Sustainable Development Report** discloses our triple bottom-line performance: how are we generating and sharing wealth; how are we caring about the environment; how much responsibility we demonstrate towards stakeholders.

I hope this report will help strengthen our stakeholders' trust in the robustness and sustainability of our vision and operations. This report stresses our achievements, successes and awards which we are very proud of. The report also articulates various environmental and social challenges at hand, and our approach to tackle them.

The theme of this year's report, "**Building a Sustainable Future**" illustrates our world of interdependence, and stresses our responsibility towards our multiple stakeholders and the deep and reciprocal impact we have on each other. This report was conceived as "issue-centric", as we wanted to bring our various forms of Responsibilities to the forefront.

This year also witnessed the formalization of BPCL's '*DreamPlan*' – an articulation of our aspirations and where we want to reach by 2015, co-created by our team members at all levels across the organisation. There are six strategic elements of the plan –

- Further BPCL's footprint in upstream and become an operator;
- Expand refinery capacity in Bina and Kochi
- Invest in Gas
- Aggressive and profitable growth in marketing SBUs and to make refineries world-class in the face of greater competition
- Enable a high performing organization
- Create options in new businesses like technology which can be scaled up by 2020, if found profitable

In this introduction, I want to share my vision of what sustainable development means to BPCL:

- **Ensuring long-term growth and profitability:** Our focus is to remain financially strong, which means responsible growth and profitability. To excel, our strategy has been to think beyond compliance, leverage from global best practices, and act local. To look beyond next quarter and ensure long-term sustainability on all aspects, at BPCL we push the 'risk-return' envelope further, to innovate and capture opportunities we create for ourselves. We will roll out our '*DreamPlan*' where key feature is to achieve 50 million tons by 2015.
- **Caring for the environment:** We have an important responsibility towards the natural environment. We recognize the challenges faced by our business, be it in terms of depleting crude resources, climate change, or our impact on communities. We are aware that providing energy is a great contribution

to economic growth and are cognizant of the fact that related fallouts need responsible addressal. Fostering innovation is our approach to tackle these challenges. We produced cleaner fuels compliant with Euro III and IV guidelines and made headway in creating a renewable energy portfolio. We know other milestones on this journey are still ahead of us, and we acknowledge our responsibilities to continuously work towards minimizing our environmental foot-print.

- **Protecting our people:** Our responsibility is to ensure safety of our employees, contracted manpower, and assets. I regret the loss of three lives due to work related accidents this year across our operations. We recognize safety is a never ending journey, and we will sustain year after year our efforts to make BPCL a safe workplace. On workplace security front, we have developed an in-house “security scorecard” to assess the emergency preparedness. Based on the scorecard assessment, each location is equipped

with adequate security infrastructure and manpower.

- **Growing and developing our talent pool:** Our businesses being fast growing and labor intensive, human talent is definitely a key asset. In addition, our employees dedicate a significant part of their days working with us, and our responsibility is to offer them a challenging, rewarding and exciting working environment and suited career opportunities. Our responsibility is also to attract and retain talent, at all levels, as our strategy requires such talent to be there with us in the long-run.
- **Responsive to neighbouring communities:** Our operations touch the lives of thousands of people from the neighbouring communities across our operations, often in remote places where basic amenities may be absent, and education levels may be low. We have dedicated teams and budgets towards Social Responsibility, and our programs have touched thousands of

lives across the country, through education programs, infrastructure, health care, employability development programs, etc.


The way forward: embedding sustainable development further into our DNA.

We have been presented with several accolades in environment and social responsibility and we are proud of our progress. We aspire to embed sustainable development into all our management processes. We will launch next year an ambitious program aiming at formulating a clearer roadmap in the area of sustainable development. We intend to ensure full cohesiveness and a close alignment of our sustainable development initiatives with our corporate strategy and vision.

The broader definition of ‘sustainable development’, “Meeting today’s generation’s needs without comprising those of our children”, is indeed a challenge at hand for many industry sectors, and ours in particular. At BPCL we consider these challenges as opportunities to grow our competitive edge, while bringing to market

increasingly environment and social-friendly products.

This report is here to share our vision and achievements. We look forward to your views/suggestions, which will help us better our performance, thereby creating more value for our stakeholders.



Ashok Sinha
Chairman & Managing Director,
Bharat Petroleum Corporation Limited

SUSTAINABLE DEVELOPMENT: AGENDA AT BOARD LEVEL

Q 1: What does sustainability mean to you?

Director (Marketing): Sustainable development is about Business itself. Especially for Hydro Carbon sector, it is all about securing energy supplies and making cleaner fuels available at affordable rates. We at BPCL always endeavored to secure energy supplies and our foray into exploration and the gas business, is testimony of our efforts.

Director (Refineries): Sustainable development to me is to reduce dependence on other oil companies and meet market demand. It is all about increasing refining capacities and ensure we run our refineries in a safe manner and ensure zero loss of life and property.

Director (Finance): Sustainable development is foundation of proactive organization and for us it is all about longevity. Our approach is to go beyond compliance and focus on meeting customer expectations and to achieve employee satisfaction. Governance is the foundation for sustainability.

Director (Human Resources): For us, sustainable development is everyday business. Last two years have been difficult for our sector but that doesn't mean we bring economy to a halt and look for external help.



We need to continue and find the treasure within. Our employees make all the difference by putting the vision of building sustainable future into effect through WIN (We Innovate Now) –with the objective to introspect and innovate for better tomorrow.

Q 2: Who are your key stakeholders? How well are you positioned to address varied expectations of your

stakeholders?

Director (Marketing): Key stakeholders for us include – Government, Employees and JV partners. We are well positioned to address their concerns and fulfill their expectations.

We meet up with these stakeholders at regular intervals to map their concerns/expectations.

Director (Refineries): Key stakeholders according to me include Employees, contract labor and customers. At Refineries, most important requirement is to ensure high standards in safety, security and workplace environment. We already have management systems deployed at refineries but we need to integrate these systems to avoid multiple audits, documentation and develop a robust

monitoring plan.

Director (Finance): As I explained earlier, the expectation of stakeholders is varied and we are working towards developing a robust framework to engage with key stakeholders including employees, customers and shareholders. In the past decade we have already revisited our vision twice and this year we are rolling out our 'DreamPlan'. One of the initiatives worth mentioning here is the IT interface. We deployed IT systems in retail business, dealer network and installed automated sensors resulting in reduced inventory levels and ensured quality and quantity at customer end. We need to scale up these initiatives and sensitize our stakeholders on our sustainable development approach.

Director (Human Resources): For me most important stakeholders include Employees. With the launch of WIN we fostered the culture of innovation and reinforced the concept of doing it right. We carried out change management exercise and introduced four new elements – developed culture footprint; introduced ownership concept; introduced performance related remuneration and rolled out redeployment and re-skilling programmes.

Q 3: You have been reporting on sustainable development performance for last four years. What changes have you observed? Are your efforts delivering results?

Director (Marketing): One of the key challenges we had recognized last year was awareness among employees on sustainability. Reporting exercise has addressed this concern to a large extent, however, we need to further scale up our communication efforts. Last year our Lubricants business initiated Carbon footprint project which was received very well among employees. We plan to estimate carbon footprint of entire BPCL.

Director (Refineries): While we have done a fairly good job, we need to bring in the risk element in the report and our in house communications, around sustainable development. We need to make this document, easy to read and directly hitting the nail, and avoid encyclopedic style.

Director (Finance): Reporting on non financial performance has been received well among the senior management, however, we need to sensitize various levels within BPCL and encourage participation. This will further help in ingraining sustainability into everyday activity within BPCL.

Director (Human Resources): I feel we have just started this journey and hit a couple of milestones. But there is need to further percolate this agenda at shop floor. These three years gave us robust data management systems to capture sustainable development performance.

Q 4: What do you see the role of BPCL in the society to be?

Director (Marketing): I strongly believe that the business flourishes well in a healthy society. Our products touch lives of millions of people everyday and it is in our interest to expand our customer base to help them with cleaner options. We are preparing a five year strategy called 'DreamPlan' and key feature here is to enhance refining capacity to 50 million tons by 2015, ensuring energy security.

Director (Refineries): Due to the very nature of our business, most stakeholders want us to demonstrate high standards in health, safety and environmental performance, which is the most important element of running a refinery. We need to expand it to our contractors and ensure that they follow the same practices. For us dealing with emergency situation is very important and better still is the understanding at community level on our emergency

preparedness and response plans.

Director (Finance): Expectation of our stakeholders is multi-fold; Government expects energy security, customers want operational stability and quality, shareholders want long-term returns and so on. We want to play the role of a responsible corporate, admired by its stakeholders. We need to get involved in social programs way beyond donations and play a larger role in society addressing concerns on water availability, primary education and basic healthcare.

Director (Human Resources): We want to set an example of being a Responsible Corporate. We have taken step in this direction by entering into Gas business, developing Euro III and Euro IV compliance products, constructing green campus in Noida and Kolkata, converting wastes into resources such as coke and using ash in brick manufacturing.

**Director (Marketing) –
Mr. S. RADHAKRISHNAN**

**Director (Refineries) –
Mr. R. K. SINGH**

**Director (Finance) –
Mr. S. K. JOSHI**

**Director (Human Resources) –
Mr. S. MOHAN**



COMPANY PROFILE

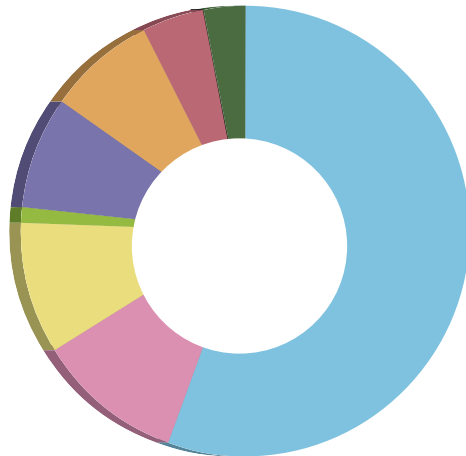
“I strongly believe that the business flourishes well in a healthy society. Our products touch lives of millions of people everyday and it is in our interest to expand our customer base to help them with cleaner options”

Mr. S. Radhakrishnan,
Director (Marketing)

Organizational Highlights³

| | | |
|----------------------------|--------|-----------|
| Refineries (including NRL) | 3 | Nos |
| Installations and depots | 141 | Nos |
| LPG bottling plants | 49 | Nos |
| Aviation filling stations | 30 | Nos |
| Retail outlets | 8,692 | Nos |
| LPG distributors | 2,187 | Nos |
| Crude throughput | 23.03 | MMT |
| Market sales | 27.70 | MMT |
| Gross sales | 1,315 | ` billion |
| Total assets | 361.41 | ` billion |
| Market participation | 22.38 | % |
| Fortune 500 rank (2009) | 289 | |

Shareholding pattern⁴



| | |
|-------------------------------------|--------|
| Government | 55.79% |
| Life Insurance Corporation of India | 10.57% |
| BPCL Trust for Investment Shares | 9.33% |
| Unit Trust of India | 1.20% |
| Foreign Institutional Investors | 7.97% |
| Other Financial Institutions | 7.74% |
| Private Corporate Bodies | 4.37% |
| Others | 2.94% |
| Non Resident Indians | 0.09% |

PRODUCT SALES

| | Sales Volume ('000 MT) | Market Share ⁵ (%) |
|------------------------------|------------------------|-------------------------------|
| Naphtha | 897 | 28.9 |
| LPG (Bulk & packed) | 3,236 | 25.9 |
| Motor spirit | 3,575 | 28.4 |
| Special boiling point spirit | 39 | 34.9 |
| Benzene | 60 | 84.3 |
| Toluene | 24 | 97.9 |
| Polypropylene feedstock | 71 | NA |
| Regasified LNG | 710 | NA |
| Aviation Turbine Fuel | 925 | 20.3 |
| Superior Kerosene Oil | 1,646 | 17.2 |
| High Speed Diesel | 13,298 | 24.2 |
| Light Diesel Oil | 59 | 12.8 |
| Mineral Turpentine Oil | 107 | 56.5 |
| Furnace Oil | 1,450 | 18.7 |
| Low Sulphur Heavy Stock | 447 | 18 |
| Bitumen | 627 | 14.4 |
| Lubricants | 231 | 18.7 |
| Others | 234 | NA |

SUBSIDIARY COMPANIES

- Bharat PetroResources Limited
- Numaligarh Refinery Limited

JOINT VENTURES

- Bharat Renewable Energy Limited
- Central UP Gas Limited
- Maharashtra Natural Gas Limited
- Petronet CCK Limited
- Petronet LNG Limited
- Bharat Star Services Private Limited
- Indraprastha Gas Limited
- Matrix Bharat Marine Servies Pte Limited
- Petronet India Limited
- Sabarmati Gas Limited

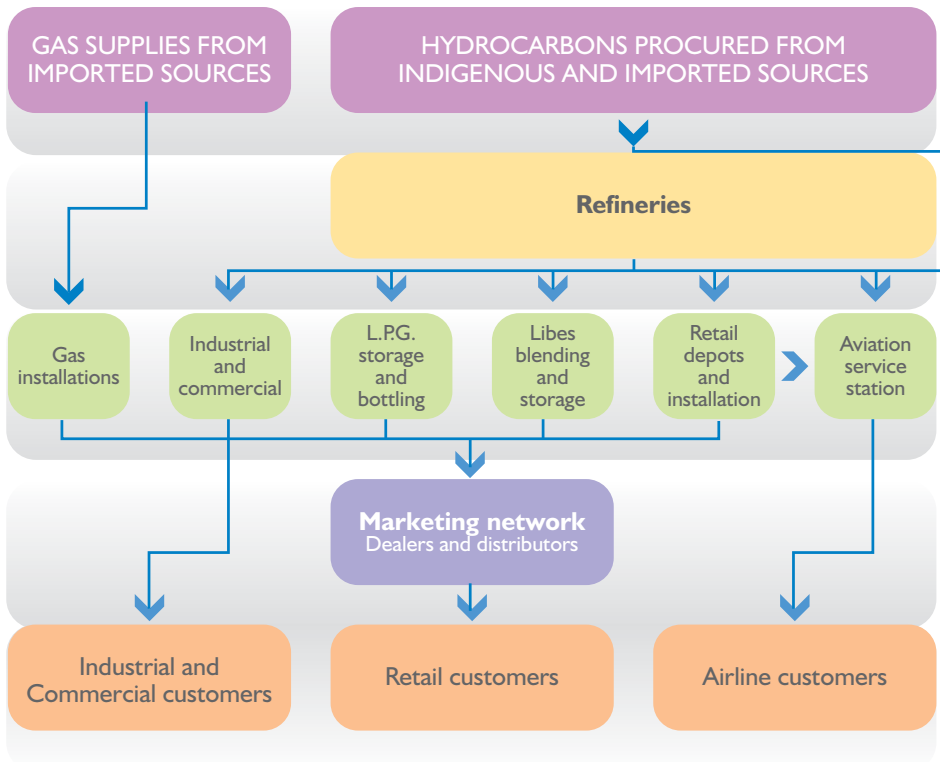


³As on 31 March 2010 for Bharat Petroleum Corporation Limited
⁴As on 31 March 2010 for Bharat Petroleum Corporation Limited

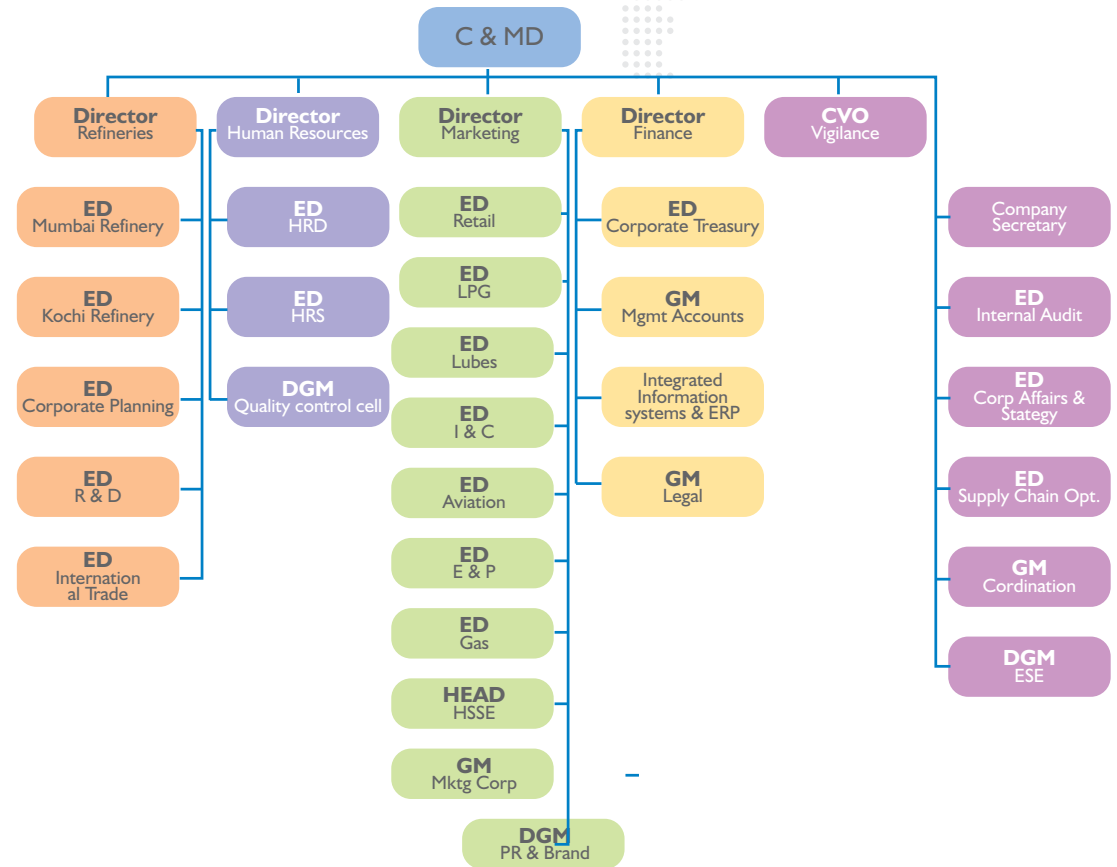
⁵Market share is based on sales volumes of Indian Public Sector Oil Companies

COMPANY PROFILE

Operational overview



Organizational overview



AWARDS AND ACCOLADES 2009 - 10

- **Most Valuable Brand** - BPCL is 6th among the Top 50 Most Valuable Brands according an assessment done by Brand Finance
- **Most Trusted Brand** – BPCL won the Reader’s Digest Most Trusted Brand in Gold category
- **Fortune Global 500** – BPCL ranked 289th on the coveted Fortune Global 500 companies list for 2009
- **Platts Top 250 Global Energy Companies** – BPCL has been ranked 5th in refining & marketing among the Asian companies on the Platts Top 250 Global Energy Companies 2009 list
- **Brand Finance’s Top 500 Global Brands** – BPCL stands 305th in the Top 500 Global Brands list compiled by UK-based Brand Finance
- **Superbrand** – Bharatgas is accredited as Consumer Superbrand by Superbrands India
- **Marketing Company of the year** – BPCL won the prestigious PetroFed ‘Oil&Gas Marketing Company of the Year’ award for second year in succession
- **Star Retailer and Unique Concept in Marketing** – BPCL was awarded the Star Retailer award and Beyond LPG was recognized as Unique Concept in Marketing by Franchise India Holdings
- **Supply Chain Excellence** – BPCL won the Boston Strategies International’s 2009 Oil, Gas & Energy Industries Award for Exemplary leadership in Supply Chain Synchronization
- **ABCI Communication Awards** – BPCL walked away with four communication awards at 49th Annual Association of Business Communicators of India (ABCI) awards. BPCL won Gold Award for MAK Viral, Silver Award for CSR campaign and Bronze for Corporate website
- **Best Safety Performance** – BPCL was awarded Best Overall Safety performance amongst LPG Marketing Organizations and Lube Oil Blending Plants by OISD
- **Excellence in Environmental Management** – BPCL’s Kochi Refinery was awarded the Excellence in Environmental Management award by Kerala State Pollution Control Board
- **Good Green Governance** – BPCL’s Bengaluru LPG Plant was declared the winner of G-Cube Good Green Governance Award in the manufacturing category among non-processing industries
- **Best CFO** – Mr. S.K. Joshi, Director (Finance) was conferred the Business Today ‘Best CFO in a PSU’ award for exemplary leadership in ensuring availability of fuel and cooking gas in the country
- **RBNQA** – BPCL’s Mumbai Refinery won the Ramakrishna Bajaj National Quality Award 2009, the highest recognition in the manufacturing category, for the third consecutive year.
- **Business Leader in CSR** – BPCL was awarded with Business Leadership Award in CSR category by NDTV Profit
- **Green Business Leader** – BPCL was awarded the prestigious FE EVI (Financial Express & Emergent Ventures India) Green Business Leader Award for 2009-10.





'DreamPlan' FOR A SUSTAINABLE FUTURE

Looking forward, bolder aspirations and fresh challenges await us. We have already completed envisioning workshops with Directors, EDs and GMs and we are now in the process of involving the next level of the organization. To achieve these aspirations, we now need to refine the strategy and detail the initiatives. This has been christened as Project '*DreamPlan*'

Mr. Ashok Sinha,
C&MD, June 2010

Conceptualized in 2009-10, Project 'DreamPlan' is an articulation of our aspirations and where we want to reach by 2015. As a part of this project we want to achieve the goal of becoming one million barrels per day company, triple our profits, and undertake capital spend in excess of `5,000 billion. There are six elements of the 'DreamPlan' as mentioned below:



Big-capex, game changers

- Further BPCL's footprint in upstream and become an operator
- Expand refinery capacity in Bina and Kochi
- Invest in Gas

Protect and grow existing leadership position in marketing

- Aggressive and profitable growth in marketing SBUs and make refineries world-class in the face of greater competition
- Enabling a high performing organization

Seed options for the future

- Create options in new businesses like technology which can be scaled up by 2020, if found profitable

The 'DreamPlan' also delineates the following qualitative aspirations of BPCL –

- Become most trusted brand
- Build competency in new areas
- Add flexibility and multi-skilling to our network in order to offer multiple services to the customer
- Create an innovative compensation and benefits structure
- Create around 300 leaders to take the corporation forward
- Improve technical competencies in order to provide engineering services
- Improve capability to control large investments

For us, sustainable development means - the impact of the company's operations on environment and society. We take care to ensure our impacts are minimal and we operate profitability, safely and in an ethically

acceptable manner. Being a public sector enterprise our commitment to sustainable development rests on our obligation to do the right thing and demonstrate commitment to social responsibility.

This year we further strengthened our materiality framework and encouraged participation at various levels to suggest issues. The feedback so obtained was discussed at the board level and finally, the top five material issues identified were:

- Energy and climate change
- Health and safety
- Community development
- New and clean technology
- Water management

We are aware of the fact that energy consumption in our country is expected to increase even more rapidly. Natural gas, a cleaner fuel, has been the fastest-growing energy source in recent decades, and this trend is likely to continue, making it possible

for industry to minimize carbon emissions. We are geared for Renewable growth and have made headway in wind and solar energy, but our core strength would be fossil fuels. With the foray into exploration we are geared to be self reliant on energy supplies.

BPCL was one of the first movers in the emerging gas market in India, when we became one of the promoters of Petronet LNG Limited (PLL). With a view to have a greater focus, gas marketing, which was earlier part of Industrial & Commercial business, was converted in to a separate

business this year. We have a vision to reach 5 million tons mark in next five years and scale it to 10 million tons in next ten years. This was the year of consolidation with streamlining of operations in Brazil, moving ahead decisively on the Indian and overseas work programme, and venturing in to the unexplored virgin basin of Mozambique. Our target customers include industrial consumer and aggregators. We have also made a humble entry into city gas distribution through joint ventures, covering 4 cities and we plan to have 10 more cities included in our portfolio.

We aim to

- Enhance sustainable development initiatives in our business.;
- Formalize a regular dialogue with key stakeholders on sustainable development challenges, including employees, investors, NGOs, suppliers and consumers;
- Achieve sustainable development goals set out periodically across the entire value chain;
- Continue reporting on updates of sustainable development strategy, goals and accomplishments;

STAKEHOLDER ENGAGEMENT



Stakeholder engagement at BPCL is viewed as an important element of our business strategy. We believe in constructive dialogue with various stakeholders making them an integral part of our success.

Over the years, we have adopted a diversified and customized approach⁶ towards engaging with our stakeholders. Owing to the nature and scale of our operations and also the diversity of our stakeholders, we make sure that we engage with each of the stakeholder groups at different levels in the organization. Being a Public Sector Unit (PSU) with the Government of India (GoI) as a

major shareholder, we engage with various Ministries and Regulatory bodies at corporate level on varied issues including but not limiting to company performance, product pricing, new projects, and industry regulations. We interact with all our shareholders at corporate level through various forums like Annual General Meetings, Investor meets etc. Employee engagement is one of our core strengths, which has helped us achieve business excellence. Various formal and informal engagement channels are used to address the concerns of employees while meeting their expectations. We engage with

our employees regarding key decisions of the company including our business strategy. We intend to engage with our senior management and union representatives across our regions with respect to our five year business strategy development, Project DreamPlan. At SBU and regional level, we have focused channels of interaction with our customers, suppliers and regulatory bodies.

Our engagement with communities and NGOs is two fold. The central corporate social responsibility function partners with NGOs and communities through company wide initiatives. The facility levels focus on local issues and adopt a suitable engagement model benefiting the local communities.

In our endeavor to further enhance our engagement with stakeholders on issues related to sustainable development, this year we adopted a focused approach in engaging with select employees on the specific agenda of sustainable development. The constructive dialogue process with our stakeholders has provided us with key insights on the prioritization of material issues which are of mutual interest to both our stakeholders and the Company. The inputs were further deliberated by the panel consisting of C&MD and Directors to arrive at material issues assuming the

| Stakeholder Groups | Corporate Level | SBU/Regional Level | Facility Level |
|----------------------------------|-----------------|--------------------|----------------|
| Shareholders and Lenders | ✓ | | |
| Government and regulators | ✓ | ✓ | ✓ |
| Employees | ✓ | ✓ | ✓ |
| Industry Associations | ✓ | ✓ | ✓ |
| Customers | ✓ | ✓ | ✓ |
| Suppliers | ✓ | ✓ | ✓ |
| Business & JV Partners | ✓ | | |
| Communities | ✓ | ✓ | ✓ |
| Dealers & Distributors | ✓ | ✓ | ✓ |
| Contractors & Contractual labour | | ✓ | ✓ |
| NGOs | ✓ | | ✓ |
| Academic Institutions | ✓ | ✓ | |
| Media | ✓ | ✓ | |

⁶Refer to our previous sustainability report "Responsible Development" for detailed information on stakeholder engagement for individual stakeholder groups. The report can be accessed through our website www.bharatpetroleum.in

MATERIAL ISSUES

highest priority.

We are guided by the principle of materiality to identify and prioritize the issues of importance or concern to both our stakeholder groups and the Company. The Board of directors has the overall responsibility to provide the Company with business strategy and the roadmap for the future. Apart from the dynamic business and regulatory scenario, the board also takes in account the concerns and expectations of various stakeholder groups while formulating the roadmap for the Company.

Though we do not have a formal process of identification and prioritization of material issues on our sustainable development agenda, the Company uses the inputs from business strategy and roadmap, directives from Government and regulatory authorities and various stakeholder inputs to identify the material issues for BPCL. These issues are discussed at various levels of the Company including the board.

This year we have used the focused employee sessions to identify and prioritize the sustainable development issues of interest and concern to stakeholders. The insights from these sessions were then presented to the panel consisting of C&MD and Directors. The panel deliberated on the various issues of

interest and concern to stakeholders, thereby assigning priorities to the issues in alignment with the Company's business strategy. The issues assuming the highest material significance that emerged from this exercise were:

- Energy & Climate Change
- Health & Safety
- Community development
- New and clean technology
- Water management

Energy & Climate Change

Energy and climate change are two inter-related parameters that are of prime importance for safeguarding the present and planning for the future. We have initiated energy efficiency programs including initiatives for knowledge sharing across our operations to enable replication of similar projects thereby increasing productivity and lowering energy consumption. With an aim of reducing dependency on non-renewable energy sources, we have started harnessing renewable energy sources. Lower energy consumption will naturally help us to lower our carbon footprint. We are well aware of the ill-effects of climate change and the contribution of our operations in terms of GHG emissions. This year we conducted a carbon footprint analysis of our lube

operations and plan to extend the same to our refineries in the next financial year. We are also focussing on developing Clean Development Mechanism (CDM) projects to reduce our CO₂ emissions.

Health & Safety

The safety our employees and the neighbouring communities is one of our highest priorities. There is absolutely no compromise when it comes to safety and health parameters. We conduct intensive internal assessments to understand how

unsafe events occur and ensure appropriate changes in our management systems, culture and processes that could help prevent such incidents in the future. Our goal is to improve our performance until we have no work-related injuries at our company. We have created Regional Health, Safety, Security & Environment (HSSE) councils that play a leading role in terms of employee engagements through active participation and sharing best practices across businesses and entities. This year special emphasis was given to training programmes with a thrust on reinforcing safety culture across BPCL.



MATERIAL ISSUES

Community Development

We believe that it is our duty to use the resources made available to us to improve the quality of life in our communities. Our commitment to the communities we serve is demonstrated through a wide range of programs, activities, donations and grants to educational, environmental and community organizations. Our social responsibility programs are built on the premise that our financial resources and employees can have a profound and positive impact on the world around us. We contribute to community development through philanthropic activities and creation of sustainable livelihoods. At the corporate level, we are concentrating our financial and other resources on four areas of focus where we believe we can make the greatest difference in improving quality of life of people around our areas of operation: education, health, infrastructure and water.

New and Clean Technology

As one of the leading energy companies in India, we continue to carefully manage our limited natural resources and address the environmental and health effects of our operations. We are currently making investments in upgrading our processes to produce cleaner energy with a view of diversifying our fuel portfolio. Some of our

businesses are working to develop tailored solutions for harnessing renewable energy resources for their businesses. These solutions include the work done for constructing and managing solar and wind installations. Further, we have deployed newer or cleaner technologies such as chemical decontamination techniques, high emissivity ceramic coatings, automatic combustion control, gasoline splitter unit, naphtha splitter unit, etc. across our operations and will continue to do so. Through deployment of cleaner technologies we want to move a step further towards building a sustainable future, where energy scarcity would cease to exist.

Water Management

Water is a vital part of energy generation and its incessant withdrawal can alter the natural conditions of surface and ground water resources, potentially affecting aquatic life, as well as other animals and people that use water in that ecosystem. Water conservation is on our agenda and we have made concerted efforts to save, re-use and recycle water. Additionally, we are implementing rain water harvesting systems across our installations as we progress towards achieving our dream of becoming a water positive organization. To further propagate our

aspirations, we have developed a detailed book titled 'Rainwater Harvesting' on this subject. We understand the importance of water management and have undertaken various water management schemes in our neighbouring communities by developing surface and ground water sources to augment the quantity and quality of existing water supplies.

While the above-mentioned issues remain high on priority, the other issues, which were identified as material to BPCL, include energy security, affordable energy, corporate governance and compliance, talent attraction and retention, and waste management. Our overall approach in addressing the material issues is guided by our business strategy and roadmap. Our future plans and current performance on the identified material issues is detailed in various sections of the report. We also intend to adopt a formal process in the near future to identify and prioritize material issues, including inputs from our prioritized stakeholders.





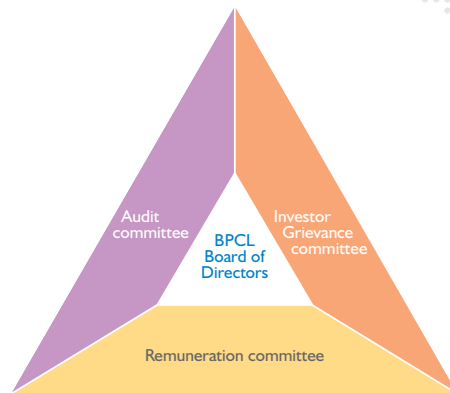


RESPONSIBLE GOVERNANCE

Our philosophy on corporate governance stems from its belief that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in maximizing corporate value and building a sustainable future for the Company.

The Board has adopted a Code of Conduct^{7,8} for the Directors and management cadre of the Company as well; and, there is a system in place for affirming compliance to it by the Board Members and Senior Management of the Company.

The Board is assisted by expert committees⁹ in its supervision of the overall affairs of the company and to ensure transparent governance.



Managing risks through internal control systems

BPCL has a system of internal controls to ensure optimum utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations. For this purpose, a clearly defined organization structure, authority limits and internal guidelines, rules for all operating units and service entities have been formulated by the Company.

We have established an effective and efficient risk management framework at BPCL. The Risk Management Charter and underlined policies are intended to enable the Company

to adopt a defined process for managing its risks on an ongoing basis. Being a PSU company, we are under the purview of a robust mechanism of audits and checks by the Comptroller and Auditor General (CAG) of India. The checks are stringent and happen at regular intervals thus ensuring our systems are in place. A full time member nominated by CAG operates from our premises and is privy to all board resolutions and other matters of interest.

BPCL has an Internal Audit department consisting of cross functional experts, which supplements the review of key business processes and controls through regular audits. Audit reports, significant risk area assessment and adequacy of internal controls are also periodically reviewed by the Audit Committee through meetings held with Management, Internal Audit and the Statutory Auditors. We also abide by the Integrity pact program¹⁰ in relation to our tendering process through a MoU with Transparency International.

There were no cases of non-compliance by the Company and no penalties / strictures were enforced on the Company by the Stock Exchange / Securities & Exchange Board of India (SEBI) or any other statutory authority on any matter related to the functioning of the Company during the year.

Ethical business practices

Our corporate values guide us in maintaining high ethical standards. Vigilance is a critical element of the Company and is in line with the philosophy of "Vigilance for Corporate Excellence". The Corporate Vigilance department at BPCL acts effectively on complaints by conducting detailed

investigations with specific recommendations for corrective action and system improvements. As a part of preventive vigilance, periodic / surprise inspections of refineries, depots and installations, retail outlets and LPG distributorships are carried out throughout the year. In addition, a Whistleblower Policy that contains details about formal channels of reporting incidents of corruption has been formulated.

Headed by a Chief Vigilance Officer (CVO), the department, based on the investigations carried out, provides advice to the management to bring about qualitative improvement in the functioning of the company. The CVO also acts as a link between the corporation and the agencies such as MoPNG, PMO, CBI, CVC, etc.

An important step in the ongoing efforts of corporate vigilance to enhance transparency and increase efficiency is, "Online Vigilance Clearance", which was inaugurated during the year. This application accelerates process requests for vigilance clearance for resignations, progressions, retirements etc. This year more than 114 training workshops/seminars involving 1800

participants were held with the objective of enhancing Vigilance Awareness among the employees/vendors. Workshops on Dealerships / Distributorships were conducted at all regions covering 139 participants. As part of preventive vigilance activities, inspections including surprise inspections were done at 467 Retail Outlets, 161 LPG Distributorships and 167 locations including depots and installations.

BPCL's commitment towards fair practices ensures that there are no instances of anti-competitive behavior. Being a significant player in India's Oil & Gas sector and earning the coveted 'Navratna' status from the Government of India, BPCL has earned its rightful place in many advisory panels and industrial decision making bodies like OADB, OISD, BIS, IMC, BCCI, ASSOCHAM, FICCI and CII.

Leveraging technology for business excellence, BPCL launched the Access Control component of SAP GRC (Governance, Risk and Compliance) for the LPG SBU in April'09. This was a pilot project and the solution would be rolled out across BPCL in a phased manner.

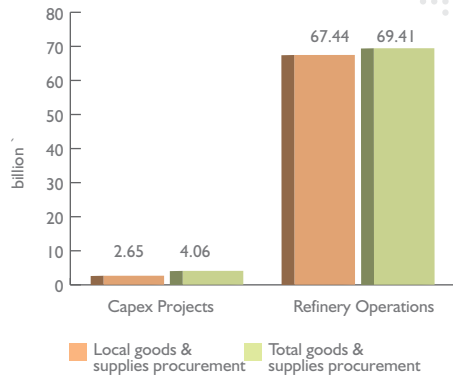


⁷BPCL's Corporate Vision and Values can be found in detail at the corporate website www.bharatpetroleum.in

⁸BPCL's Code of conduct has been enlisted in detail in the corporate website www.bharatpetroleum.in

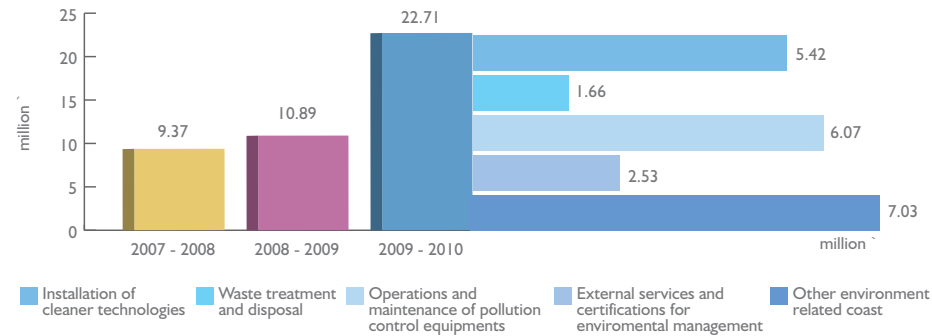
⁹Constitution of the Board, information on Directors, committees and its responsibilities are mentioned in BPCL's Annual report at http://bpcl.in/EnergisingBusiness/In_Financial.aspx?id=1

¹⁰Refer to our previous sustainability report "Responsible Development" for information on "Integrity Pact Program.. The report can be accessed through our website www.bharatpetroleum.in



certified. This year we have invested a total of ` 382 million on environmental management at our refineries. The environmental management expenditure for our marketing SBUs significantly increased to ` 22.71 million from ` 10.89 million last year. This was primarily due to the renewed focus on environmental management systems across our marketing SBUs and energy saving initiatives contributing to cleaner environment.

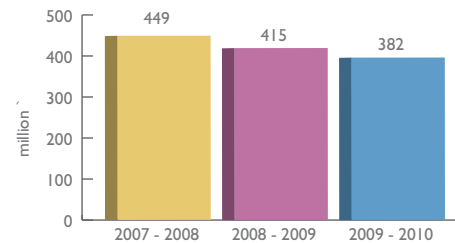
Environmental expenditure – marketing SBUs



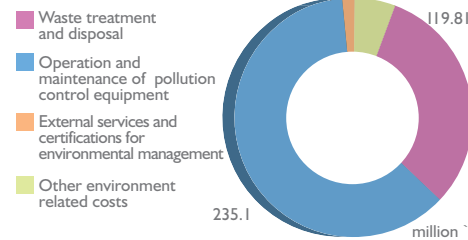
Dignity of labor is recognized in every aspect of our operations and we ensure that none of our operational procedures interfere with the human rights of any individual. All our significant investments, including contracts with suppliers incorporate the aspects of human rights as stipulated by various national and state laws.

As a conscious corporate citizen we recognize our responsibility towards environment. We are exploring opportunities in alternate energy and making resolute efforts to seize every opportunity. We have made efforts to minimize the impact of our operations by investing in clean technology and sound environmental management practices while seeking new means to further reduce it. All our refineries are ISO 14001

Environmental expenditure – refineries



Environmental expenditure – refineries (2009-10)





PERFORMING FOR A PURPOSE

“Robust business is the foundation for a proactive organization and its primary focus for longevity. While growth should always be the driver, one should not lose focus on important issues such as climate change and social responsibility”

Mr. S. K. Joshi
Director (Finance)

Industry overview

The year 2009-10 started on a difficult note for India, which is not isolated from the impact of the global economic slowdown that began in industrialized nations in 2007. While there has been no significant improvement in the global economic scenario, Indian economy showed signs of recovery in the fiscal year 2009-10. The Indian economy grew by 8.6 % (year-on-year) with industrial output growth pegged at 17.6 %. Gross Domestic Product (GDP) achieved a growth rate of 7.4 % in 2009-10, despite a decline of 0.2 percent in agricultural output owing to sub-normal monsoon. However, the emergence of high double-digit food inflation in the second half of the year continues to be an area of concern for economic growth. The Indian rupee appreciated during the year which had an impact on the export sector as well as on major imports like crude oil.

Even though there was a sharp fall in the demand for oil as compared to the previous year on account of the decline in demand in Europe and North America, strong demand in countries like India and China ensured that the overall fall was contained. As in the case of crude oil, the average prices of key petroleum products in 2009-10 were lower than the prices in 2008-09. Oil & gas industry in India continued its high dependence on imports of petroleum and petroleum products. As compared to the imports of 128.16 MT in 2008-09, the quantum of crude oil imported in 2009-10 stood at 159.26 MMT. With 15 new oil and gas discoveries during the year, domestic availability is expected to improve. Consumption¹ of petroleum products in the country in 2009-10 was of the order of 138.2 MMT representing an increase of 3.44% over

the previous year. India's domestic production of finished products is considerably higher than the domestic demand. The domestic crude oil processing in 2009-10 stood at 186.6 MMT as compared to 157.1 MMT in the previous year. With additional capacities expected to come on stream in the coming days, India will continue to remain long on refining capacity

Performing for a purpose

Our performance is driven by the purpose of creating an enduring stakeholder value. We envisage creating a sustainable future for the Company. While the business operating conditions were influenced by global economic scenario, our performance in 2009-10 was characterized by our corporate values and operational prudence. In 2009-10 we were able to achieve crude throughput of 23.03 MMT, an increase of 3.7 % over previous year. Like wise, our market sales increased by 2.22 percent to 28.06 MMT. Due to volatile crude oil prices and difficult market conditions, our revenues witnessed a decrease of 4.25 % over the previous year. The total revenues during the year were ` 1,403.30 billion. A total economic value of ` 1,372.83 billion was distributed while retaining ` 30.47 billion. We invest rightly in our processes, people and planet to continue to deliver the performance for the purpose we believe in.

We have made significant investments in our processes to achieve higher efficiency leading to greater product volumes. We are continually investing in new technologies to modernize our operations while striving to reduce the impact on the environment. We invested a total of ` 344.66 billion towards expansion and modernization of our capacity

Economic Value Generated & Distributed

2009-10

Economic Value

| | |
|------------------|-----------------|
| Generated | 1,403.30 |
| Revenues | 1,403.30 |

Economic Value

| | |
|----------------------------------|-----------------|
| Distributed | 1,372.83 |
| Operating Costs | 1,199.57 |
| Employee benefits & wages | 22.78 |
| Payments to providers of capital | 16.73 |
| Payments to Governments | 133.69 |

Economic Value Retained 30.47

All figures are in billion `

in 2009-10. This year, we have also made significant investments at our Mumbai and Kochi refineries to upgrade our process equipments to meet the Bharat Stage IV fuel standards. A total of ` 2.54 billion have been invested in the year towards this endeavor.

We are committed to the well being of our employees, suppliers, distributors, customers, communities and other stakeholders. We provide various benefits to our employees including gratuity schemes, provident fund schemes, medical insurance coverage, support for employee higher education, scholarships for employee children, housing and vehicle loans at low interest rates and other long term benefits. We carry out periodical actuarial valuations of employee benefit funds to ensure that employee benefit liabilities are met. In the year under review, we have contributed ` 22.78 billion towards employee wages and benefits.

Winning in tough times..

Last year we had reported on the initiation of 'Project We Innovate Now (WIN)' to tackle the economic slow down and make BPCL future ready by improving our cash position in immediate term, putting in place competitive cost structures and building a 'cost and value DNA' across the organization. Its aim was to develop a culture of P&L and cash flow conviction and accountability across SBUs and percolate the accountability to all levels. Six 'deep-dive' initiatives were taken up as a part of the project. Supply Chain Optimization through rigorous retro analysis aims at maximizing the Net Corporate Realisation by improving adherence level on the SCO plan to around 95-97% on a sustainable basis. Purchasing Excellence targeted at leveraging the market conditions to procure at best possible rates leading to formation of Central Procurement Organization (CPO) for marketing and refineries SBUs. Capital Productivity focuses on improving ROI of two capex intensive areas - Retail outlets and LPG cylinders. Lowering overheads aims at bringing in greater efficiencies in overhead spending. Reduction of transportation cost maximizes value for the marketing business. Minimization of money blocked in inventory, receivables and other elements of working capital helps unlock the capital. All the above initiatives under Project WIN are expected to deliver cash release of around Rs. 29.00 billion resulting in a Profit before tax (PBT) improvement of around ` 11.50 billion over a period of 2-3 years. During 2009-10, almost 70% of the PBT target and 50% of the cash target set for 2009-10 have been accrued.

¹Based on provisional figures released by the Petroleum Planning & Analysis Cell in the MoPNG.



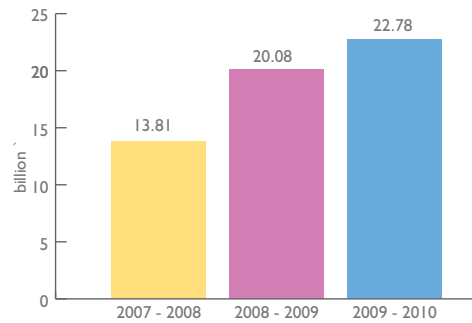
CONSUMING RESOURCES RESPONSIBLY

“Sustainable development to me is to reduce dependence on other oil companies and meet market demand. It is all about increasing refining capacities and ensure we run our refineries in a safe manner and ensure zero loss of life and property”

Mr. R. K. Singh
Director (Refineries)

PERFORMING FOR A PURPOSE

Employee benefits and wages¹²

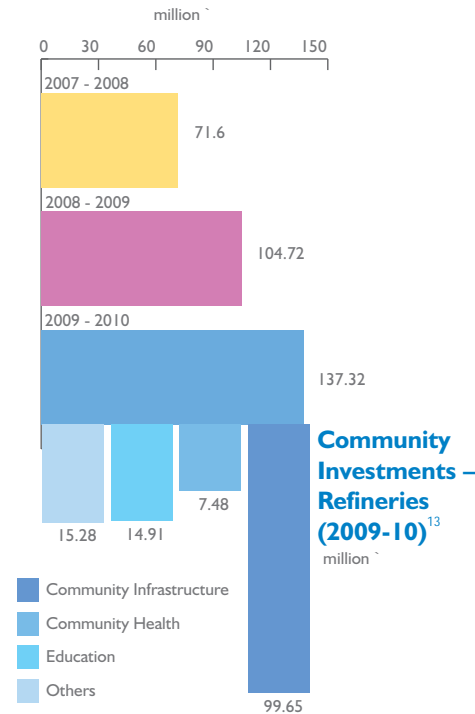


We contribute to development of our supply chain business associates by supporting and providing them with business and technical assistance. Local procurement and hiring remains one of the important ways in which BPCL contributes to the local economic development. Though not guided by a formal policy, we always prefer to procure goods and supplies from local economy, where in our case local is defined as India, and where an equivalent is not available in the local market, we procure it from international sources.

Our approach towards growth is a holistic one, wherein community development is an integral component. We invest in community development through numerous initiatives across the locations we operate in, focused

around our CSR thrust areas of Education, Environment Conservation, Community Infrastructure, Water Management and Community Health. Our community investments across refineries this year was ₹ 137.32 million.

Community Investments - Refineries



Expanding Financial Inclusion

One of our important customer segments is the Small Distance Commercial Vehicle (SDCV) community who account for nearly 40% of the retail diesel trade. These customers are small time single vehicle owners, drivers and helpers. In July this year we formally launched the "Financial Inclusion program for SDCV customers" in association with program partners Corporation Bank and UTI AMC. The aim of the program was to enable our dealers to build a strong relationship with the target customers who have no bank accounts but have a propensity to save. This endeavor would help them move away from the clutches of small time money lenders who often charge safe keeping charges from the customers with very high interest rates of borrowing. We intend to fulfill our motto of energizing lives through this initiative which provides financial inclusion for one of our important stakeholders.

In the program, BPCL's select Retail Outlet Dealers will work as Business Correspondent of Corporation Bank to facilitate branchless banking to the trucking customers through biometric smart card based technology. The customers will be offered basic savings account involving small cash deposits and withdrawals, recurring deposit, micro credit, micro pension from UTI, micro insurance from LIC and health insurance from United India Insurance. Micro credit to eligible customers will be given at normal banking rates as against rates between 30-40% charged by Micro Finance Institutions.



¹²The values for 2007-08 and 2008-09 have been restated to include the employee car / scooter mileage reimbursement benefits

¹³Others include community trainings and awareness, agri-allied support, promotion of sports and culture

Consuming resources responsibly

While our investments reflect our efforts towards building a sustainable future, we are also cognizant of our responsibility towards consuming the earth's resources with discretion. Aware of the fact that one of our largest environmental impacts is due to our heavy dependence on non-renewable resources, we strive to reduce our material footprint through improved operational efficiency and endeavor to use additives and chemicals that have minimal harmful impact on the environment. In 2009-10, our refineries processed 23.03 MMT of crude oil, our single-most significant raw material throughout our operations, out of which 14.1 MMT was imported with the remaining crude processed being indigenous.

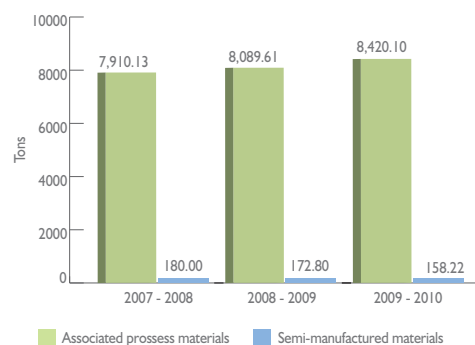
In each of our SBUs, we have applied continuous innovation to produce superior products at lower costs. Our Tondiarpet installation pioneered the implementation of a blending facility for in-site production of Speed-97. This facility was created with a minimal budget and time and it eliminates the huge transportation and logistic expenditure involved in producing Speed 97. Additionally, BPCL commercially launched a cost effective and superior corrosion inhibitor developed by Research & Development for Ethanol Blended Motor Spirit (EBMS). While the cost of the product is 1/8th the cost of hitherto imported chemical and has been extensively evaluated, it meets NACE and ASTM standards as well.

We consumed 8,420.10 tons of significant associated materials¹⁴ and 158.22 tons of semi-manufactured goods¹⁵ at our refineries during the year. Our refineries also used 6407.6 tons¹⁶ packaging material during the

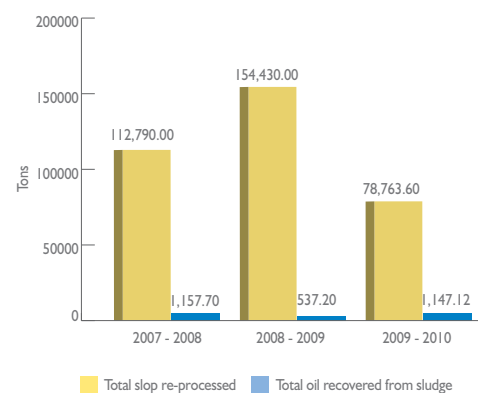
year. At our marketing locations¹⁷, we consumed 520,611.98 tons¹⁸ of materials and 94.68 kilolitres of BMCG additive, along with 15,215.46 tons of packaging material. LPG cylinders are reused multiple times which reduces the requirement of new cylinders. Due to increased demand and replacement of damaged cylinders, 2,714,343 new cylinders were used for LPG during the reporting period.

In 2009-10, we reprocessed 78,763.6 tons of slop at our refineries which decreased from 155,430 tons last year. The decrease is attributed to reduction in slop generated which was achieved through tighter operational control. To reduce wastages, we have striven to minimize leakages and have installed vapor recovery systems. Floating roof tanks with secondary seals and still well sleeve systems have enabled us to significantly curtail our losses of material.

Total material processed at refineries



Total material re-processed at refineries



Building capabilities to reduce waste generation

We try to reduce waste generation from our operations by identifying opportunities to reuse or recycle them in a feasible manner. We take special precautions to ensure that our hazardous waste is disposed off in a safe and efficient manner.

A comprehensive system for hazardous waste management has been implemented at BPCL refineries. A mechanized oil recovery system for oil recovery from oily sludge is

used to regain oil from the sludge at the bottom of the crude tank. The remaining soil that has low oil content is bio-remediated with the help of a specialized micro-organisms based technology from The Energy Research Institute (TERI). In this way, we ensure that we recover oil from sludge before disposal. In 2009-10, 1,147.12 tons of oil was recovered from sludge. More than 7000 m³ of sludge, generated mostly from crude oil tank bottom cleaning, was treated successfully at the refineries using efficient techniques including BLABO¹⁹ technology recovering valuable oil before residual treatment.

Similar to oily sludge, spent catalysts from our refineries are either recycled by the original catalyst suppliers or disposed off to secured landfill sites in accordance with the central and state statutes. At our Mumbai refinery, we also minimize the disposal of our non-hazardous waste by converting canteen food waste to cooking gas through a bio gas plant. We have put in focussed efforts to reduce our waste footprint and are glad to report that there have been no significant²⁰ oil spills in the year.

| Waste | Total amount of waste from Refineries (tons) ²¹ | | |
|------------------------|--|---------|---------|
| | 2007-08 | 2008-09 | 2009-10 |
| Spent catalyst | 203.39 | 465.6 | 568.64 |
| Spent Catalyst (Reuse) | 70.08 | 0 | 0 |
| Sludge | 256.23 | 244.32 | 222.53 |
| Waste Bituminous Oil | 0 | 359.65 | 0 |
| Waste Transformer Oil | 6 | 24.97 | 5 |
| Spent resin | 0 | 30 | 13.37 |
| FCC Catalyst fines | 86 | 89 | 78 |
| Lube Additive | 0 | 0 | 13.34 |
| Spent molecular sieves | 10 | 0 | 56.1 |

¹⁴Materials contributing to more than 5% of the total annual material consumption (excluding crude) are considered as significant associated materials

¹⁵Associated materials at the refineries include Hydrochloric acid, caustic soda, fresh catalysts, rock salt, diethyl amine, anti foulant, demulsifiers, re-gasified liquified natural gas, corrosion inhibitors and others in small quantities. Semi-manufactured goods at the refineries include cetante improver.

¹⁶Information for only Mumbai and Kochi refineries

¹⁷Materials included for reporting at Marketing SBUs are purchased base oils and packaging material (Lubes SBU), HSD and MS additives, blue dye, ethanol, oil and grease (Retail SBU).

¹⁸This year we have expanded the scope for material consumption for our marketing SBUs by including the material consumption from LPG SBU and oil & grease consumption across marketing SBUs.

¹⁹Non-man entry tank cleaning and oil recovery system

²⁰Significant spills are defined as spills greater than 159 litres in a single occurrence of an incident.

²¹Includes the waste generated by Mumbai Refinery, Kochi Refinery, and Numaligarh Refinery

CONSUMING RESOURCES RESPONSIBLY

In addition to the above mentioned wastes, 8,132 used barrels, 1,800 m³ of solid waste, 44.47 MT of bio sludge, and 100 MT of tank bottom sludge have been generated at our refineries during the year.

Our marketing locations generated approximately 579.4 tons and 920.11 kilolitres of hazardous waste by weight and volume respectively during 2009-10. This waste includes used oil, oily sludge, oil filters and cotton waste contaminated with oil. Additionally, we discarded 488 used batteries under buy-back scheme, 1,137 used oil filters and 1,454 damaged hoses. We encourage the re-use of non-hazardous waste generated at our locations, but we also dispose a part of the scrap generated through contracted vendors. At our Lube plants we disposed close to 489.73 tons of non-hazardous waste this year that comprised of wooden scrap, MS scrap, corrugated boxes and packaging material.

Reuse of Plastic Waste

Kochi refinery R&D developed a road paving mix using disposed plastic waste. This Clean Kochi initiative focuses on collection and segregation of various bio-degradable and non bio-degradable wastes from different parts of the city municipal corporation limits and their disposal in a scientific manner. A 350 km stretch of Kaloor-Manapatti Pambu road uses the shredded plastic wastes in road paving. Up to 5% of shredded plastic waste could be disposed off in this way. This road-care initiative implemented in association with the makers of Natural Rubber Modified Bitumen (NRMB) helped strengthen our bond with nature and society.







MANAGING ENERGY EFFICIENTLY

Energy and climate change as a business issue is of paramount significance to us. We approach this key issue by working towards securing crude oil supplies, improving operational efficiency and exploring new opportunities in alternate energy.

The global demand for energy is expected to rise in the decades to come with oil as the single largest source of energy to satisfy this demand. This increase in demand provides the industry with significant opportunities but at the same time growing concerns of climate change pose significant risks to businesses and society at large. We intend to contribute towards building a sustainable future by continuing to satisfy the energy demand while mitigating the risks related to climate change to the extent possible.

Energy security

Securing crude oil supplies is undeniably one of the key challenges for oil and gas companies globally. This year we have taken significant steps towards securing our energy supplies. Ramping up the oil and gas exploration capacities through a joint venture of our subsidiary BPRL and Videocon Industries, in 2008 we acquired participating interest in 10 blocks in Brazil. New natural gas discovery was made in Mozambique, Africa where BPRL has participating interest. BPRL also acquired a new block in Nunukan basin in Indonesia. At present, BPRL and its subsidiary companies hold participatory interests in 26 exploration blocks with total acreage of 81,000 sq. km

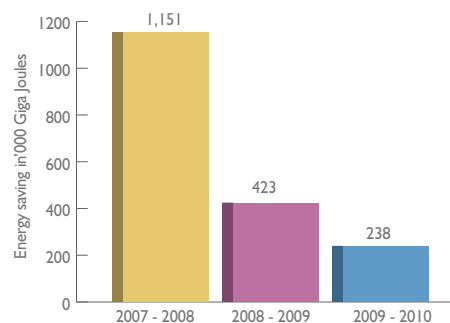
Achieving operational efficiency

We are exploring every opportunity to increase our operational efficiency thereby reducing impact on the environment. The continuous improvement in our specific energy consumption is attributed to various corporate-level and plant-level initiatives taken each year. Few of the energy conservation and efficiency improvement initiatives undertaken by our refineries²² and

marketing locations are enlisted below:

1. Our lube installation at Wadi, Mumbai, installed a condensate recovery system in order to utilize energy from condensate from the boilers at the unit. This enabled the unit to save furnace oil consumption for its boilers
2. Several initiatives to conserve energy and increase efficiency were taken at Mumbai refinery and Kochi refinery, through process modifications and retrofitting of existing equipments, leading to energy savings of over 37,047 GJ and 149,704 GJ respectively.
3. We have installed a 4.8 KWh solar power system at two of the sectionalizing valves (SV) stations of our MMBPL pipeline, at SV 38 near Kota (Rajasthan) and SV 45 near Mathura (UP). Commissioned in March 2010, this facility fulfills energy needs of the 2 stations, supplying power for SCADA, telecom, fire alarm system, essential lighting and sectionalizing valve.

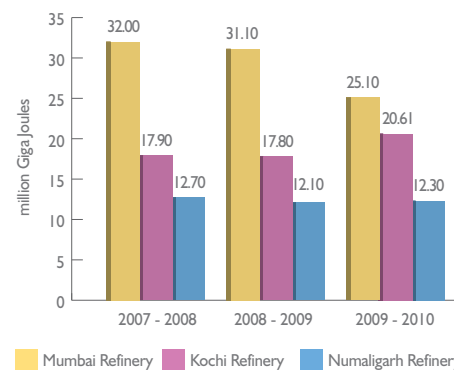
Energy saving from initiatives at refineries



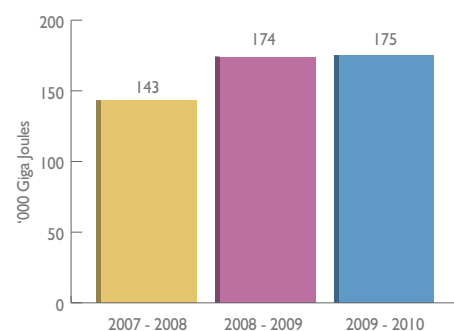
This year our refining processes have consumed a total of about 58 million GJ of direct energy. The direct energy sources include Naphtha, HSD, LPG and LNG. Our other SBUs together have consumed

175,324.3 GJ of direct energy of which HSD is the single largest fuel source. Apart from HSD consumed for our operations, DG sets and Fire engines, HSD consumed by our own vehicles at our marketing locations are a significant contributor to our total HSD consumption. In FY 2009-10, our own vehicles consumed 66,662.93 GJ of energy from HSD. The indirect energy consumption at our refineries for 2009-10 was 363,697 GJ while our other SBUs consumed 562,503.36 GJ of indirect energy.

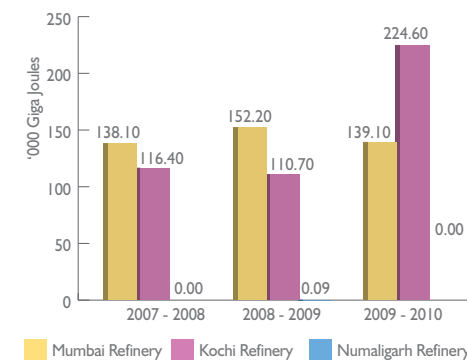
Direct energy consumption at refineries



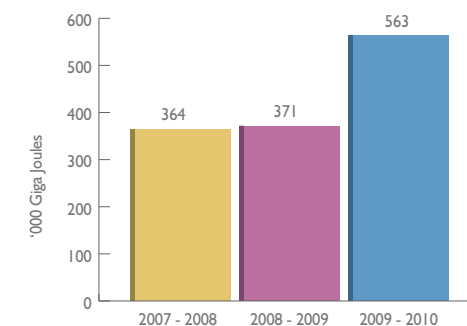
Direct energy consumption at marketing SBUs



Indirect energy consumption at refineries



Indirect energy consumption at marketing SBUs



Green House Gas (GHG) emissions from our processes are due to direct and indirect energy consumption. We constantly endeavor to reduce the footprint of our operations on the atmosphere. This year we continued our research collaborations with a number of leading institutions of the country. These include collaborations with IISc, Bangalore, Osmania University, Hyderabad, Tamil Nadu Agricultural University, Coimbatore, IIT Roorkee, IIT Madras and Institute of Plasma

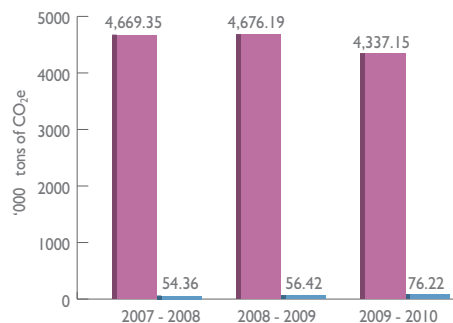
²²A detailed list on the energy conservation initiatives at our refineries is available in our Annual Report 2009-10 at http://www.bharatpetroleum.in/EnergisingBusiness/In_Financial.aspx?id=1

MANAGING ENERGY EFFICIENTLY

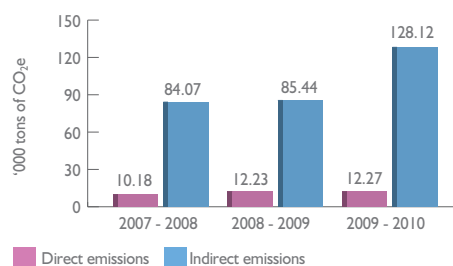
Research, Gandhinagar. The projects with IISc were on cutting oils, adsorption of natural gas using nano technology and photo voltaic cells using new materials like copper, indium, gallium, sulphur and zinc.

Owing to our efficiency improvement and energy conservation initiatives we were able to avoid 17,805 tons of GHG emissions at our refineries

GHG emissions from refineries²³



GHG emissions from marketing SBUs²⁴



Clean and Alternate Energy Focus

We are consciously working towards producing cleaner fuels. In early 2010, all our refineries commenced production of petrol and diesel conforming to Euro IV norms, which are more stringent with respect to emission standards as compared to Euro III norms. The Government of India (GoI) plans to mandate sale of Euro IV petrol and diesel in 13 cities across the country from 1 April 2010. We continue to blend a fixed proportion of ethanol in our base petrol and diesel products, in compliance to and in support of GoI's initiative to reduce the country's GHG footprint from fuel use.

While we are committed to produce cleaner fuels with improved emission standards, we are exploring alternate energy sources in a significant way, with development of Bio-diesel capacity using Jatropha through our Triple One project. We have also invested in wind and solar energy projects at several locations across the country. We have installed capacity of Wind power of 5 MW in Kappatguda, Karnataka, and solar power of 1 MW at our LPG bottling plant at Lalru, Punjab. Along with this, we have also installed 5 KVA solar-cum-wind generator at one of our company-owned company-operated (COCO) retail outlet near Kolkata and a 5

Measuring our carbon footprint - 'MeCO2'

This year we initiated the assessment of our GHG emissions. The pilot of the project was carried out for our Lubes SBU which will be replicated across our SBUs. The assessment done by M/s Wipro Limited, estimated our Lubes SBU total GHG emissions to be 14,212.21 MT of CO₂e for 2008-09. Scope III emissions contributed to nearly 58% of total emissions while Scope I and Scope II emissions contributed to 23% and 19% respectively. This study has enabled us to identify opportunities to reduce possible carbon risks and seek opportunities for improving our process efficiencies further. We also intend to create carbon emission labels for our products, providing our customers with information on GHG emissions emitted on account of manufacturing and transportation of our products. The assessment established a baseline of 85.6 grams of GHG emissions per kilo gram of our lubricant products for 2008-09.



²³For calculating GHG emissions from direct sources at NRL, IPCC default values for emission factors were used. The values for the previous year's data are based emission factors developed by the NRL.

²⁴For calculating GHG emissions from direct sources, we have used tools provided by GHG Protocol initiative, accessible at www.ghgprotocol.org/calculation-tools/all-tools
For calculating our indirect GHG emissions, we have used an emission factor of 0.82 tCO₂e/MWh, based on Central Electricity Authority's CO₂ baseline data for Indian Power sector v5, Nov 09

5 KVA solar power generator at another COCO outlet near Bangalore. We endeavor to increase our energy production and in-house consumption from renewable sources in the future. In this attempt, we have planned to make further investments in wind energy in the states of Rajasthan, Maharashtra, Gujarat and Madhya Pradesh.

In May 2009, our Kochi Refinery commenced operations of its biogas plant constructed using technology developed by BARC. This plant enabled scientific management of canteen waste to produce energy, thus solving problems of canteen waste disposal and effecting energy generation. We are making sincere efforts to increase our energy production and in-house consumption from these sources in the future.

Air emission monitoring²⁵

All our refineries have Continuous Emission Monitoring (CEM) systems installed for monitoring flue gases for air pollutants. We contain our air emissions levels within the prescribed regulatory norms and have implemented measures like low NOx burners, desulphurization of vacuum off gas systems at our refineries to further reduce the impact.

We are in the process of phasing out Ozone

Depleting Substances (ODS) across our SBUs honouring the GoI's milestones as set by Montreal Protocol.

Other air emissions from refineries



Fuel switch – Liquid to Gas

Our Mumbai Refinery has successfully shifted from liquid based Naptha and Bombay High Gas Oil to gas based Re-gasified Liquefied Natural Gas (RLNG). Earlier the refinery was dependent on Naptha and Bombay High Gas Oil as fuel for gas turbines to generate power and steam. Natural gas being environment friendly, sulfur free, having high caloric value and priced lower than distillate fuel for equivalent heat input, was the preferred choice for replacing the liquid fuels. The refinery capitalized on the commissioning of Dahej Uran pipeline by M/s Gas Authority of India Limited to transport gas from Hazira to Uran. This pipeline made natural gas available as an alternate to liquid based fuels. To meet the additional gas requirements, an agreement was made with Reliance Industries Ltd, and RIL KG D6 gas was taken along with RLNG. The refinery invested in conversion of equipments to suit the gas based fuels. By replacing liquid fuel with gaseous fuels we were able to improve thermal efficiency of gas turbines contributing to increased power generation, reduce maintenance costs by improving reliability of gas turbines and reduce CO₂ and SO₂ emissions due to low carbon and sulphur content of the fuel, Natural gas being a cheap and cleaner fuel helped to reduce the impact on environment.



²⁵The NOx emissions are currently not being monitored



CONSERVING WATER

Water conservation is a priority in our agenda and in recent past we have made concerted efforts to save, re-use and recycle water. Additionally, we are aggressively implementing rain water harvesting across our installations as we progress towards achieving our dream of becoming a water positive organization.



NURTURING PEOPLE, FOSTERING TALENT

“For us, sustainable development is an ongoing process. Our employees make all the difference by putting the vision of building sustainable future into effect with the objective to innovate for a better tomorrow”

Dr. S. Mohan
Director (Human Resources)

As we focus our efforts on reducing our material and emission footprint, it is vital that we also focus on our efforts to manage our water use responsibly. At BPCL, we realize that water is one of the most precious resources in the world today and is critical for a sustainable future.

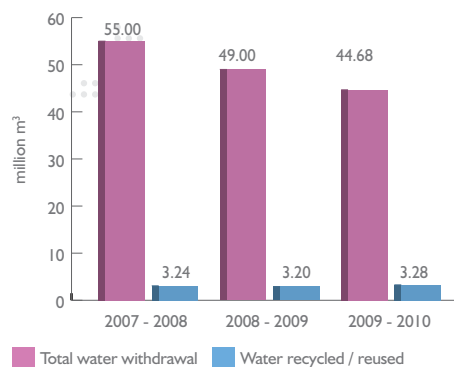
Our sources of water are varied, depending largely on the availability of water at the location of our units – in some places sea water is a primary source, while in others, ground or river water is relied upon. In 2009-10, the total water withdrawal by the refineries was 44.68 million cubic metres. Our marketing SBUs withdrew 1.49 million cubic meters of water during the reporting year.

A number of our marketing locations have been at the forefront of water management and have successfully implemented pilot projects to be replicated at other locations. For instance, our Pune LPG plant has started a unique initiative of recycling all the soap water, resulting in a closed loop and zero wastage of water. All our refineries have implemented sour water stripping units to remove hydrogen sulphide and ammonia from waste water so that this water can be reused. At the refineries, we were able to recycle 7.32 % of water withdrawn during the year.

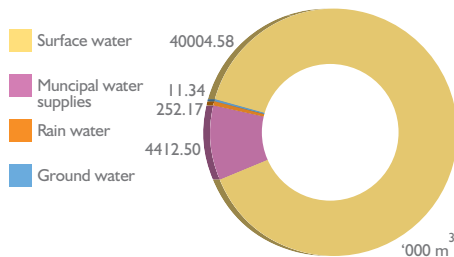
Additionally, we have studied the rain water harvesting potential at every location of BPCL to facilitate its implementation. Mumbai refinery conducted a comprehensive rain water harvesting study and implemented roof-top water harvesting systems at several locations in the refinery and staff residential colony. Kochi refinery has constructed a rain water harvesting pond in an area of 5 acres with a capacity of 25,000 KL on the coastal

belt of the Arabian Sea to minimize ingress of saline water into the water table. Over 100 retail outlets in the Southern region alone have implemented rain water harvesting through percolation pits to recharge the ground water.

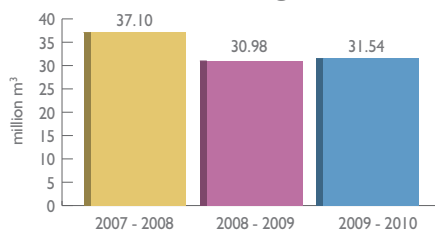
Water withdrawal and recycle/ reused by refineries



Water withdrawal by source at refineries in 2009 - 10



Treated effluent discharge at refineries



Water harvesting – knowledge sharing

To further give shape to our aspiration of implementing rain water harvesting in each and every unit of the organization, we have released a detailed book on this subject, which empowers installations with requisite knowledge on the subject. The book provides valuable information on the Indian water scenario, efficacy of ground water resource deployment, artificial recharge schemes, water harvesting initiatives at BPCL, rain gardens, acceptance of roof water as drinking water, shortage of rainwater and conservation tips. This information provided the necessary impetus at many of our location to practice water conservation and harvesting initiatives in structured and efficient manner.



In March this year, Rajkot Territory became the first LPG Territory to install the Roof Top Rain Water Harvesting System. The RWH unit installed at Rajkot consists of SFM and HFM units along with bore recharge well and down-take pipes running along the length of the roof-top of the sheds. The fresh roof water of new unit which will be diverted to ground will be of around 100 to 200 TDS. The SFM unit operates on gravity and does not require electricity and can filter up to 30 cubic meter of water per hour. In addition, the top module of HFM is provided with gravels which restrict physical particles like vegetation and plastics entering the module and lower modules acts as sedimentation/settling tank. This initiative is expected to generate a ripple effect across the organization with many units planning to implement RWH systems similar to the one installed in Rajkot.



CONSERVING WATER

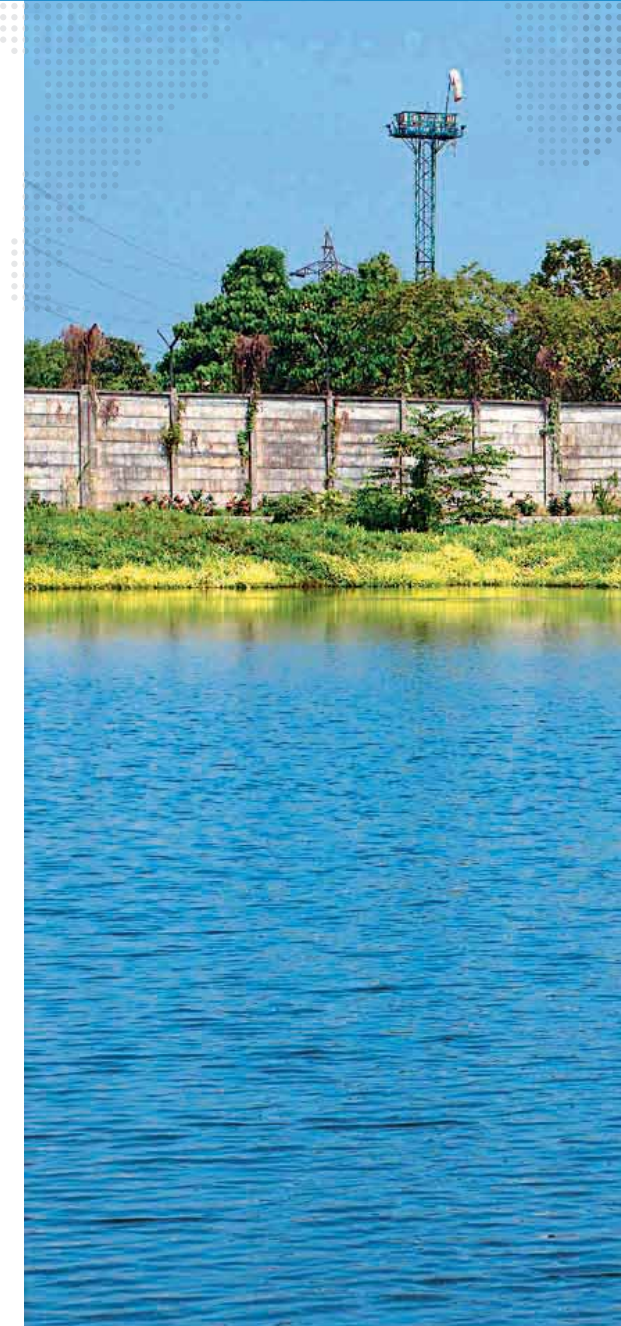
Water re-use at Pune LPG Installation

The Pune LPG Plant is situated in village Sanswadi where the water table is very low resulting in non-availability of ground water. Hence the site is procuring water from external sources at a higher cost. A water conservation project primarily to recycle and reuse was implemented at the site to reduce fresh water requirement. This intervention resulted in avoidance of around 9 KL of fresh water usage every day. Recycled water is used for cleaning soap trays, cylinder test baths and for gardening purpose. This project also resulted in annual savings of close to ` 72,000.



Monitoring effluent streams

Effluents from oil and gas operations, if not properly managed, can be a major source of pollution in surrounding areas, damaging public health and affecting property. Keeping this in mind, we have taken determined efforts to ensure that the effluent is managed in an efficient and effective manner and bears minimum impact on the environment outside our premises. None of our operations are in or close to any notified bio-diversity hotspots. We have installed oil and water separators wherever needed, to ensure that wastewater discharged outside our boundaries is not contaminated with hazardous waste oil. We also make sure that our refineries have well-maintained effluent treatment plants, and that the treated effluent meets the regulatory environmental standards. In 2009-10, our refineries discharged 31,542,261 cubic metres of treated effluent



Nurturing people, fostering talent

BPCL seeks to create talent by nurturing people through a positive team culture and a high performance environment where individuals and teams perform to their fullest potential. We endeavor to implement policies and practices that help employees to balance their work and personal demands.

Our workforce²⁶ included 14,707 employees at year end 2009-10 of which 5,245 belonged to the management cadre and 9,462 were workmen.

Employees at BPCL and NRL

| Cadre | 2007-08 | | 2008-09 | | 2009-10 | |
|-------------------|---------|-----|---------|-----|---------|-----|
| | BPCL | NRL | BPCL | NRL | BPCL | NRL |
| Senior management | 165 | 13 | 172 | 15 | 173 | 16 |
| Middle management | 1,141 | 58 | 1,272 | 56 | 1,365 | 87 |
| Junior management | 3,126 | 229 | 3,186 | 272 | 3,318 | 286 |
| Non-management | 9,542 | 384 | 9,389 | 376 | 9,059 | 403 |

Our goal is to recruit, hire and promote the most qualified candidates while diversifying our workforce, and ensure that training and developmental opportunities are available to further enhance the diversity composition in professional and managerial positions. We also believe that by engaging in local hiring we will be able to create a direct positive impact on the development of the local regions. Our officer cadre recruitments are based on parameters like qualification, merit with designated quotas for differently-abled, economically backward and tribal communities. We are also guided by various state statutes in providing local employment for both officer and workmen cadres.

This year the employee turnover was 352 which include retirements, resignations, deaths-in-service and dismissals.

BPCL is working to ensure that its policies and practices, including those on promotion,

Employee turnover at BPCL



remuneration, performance and potential assessment, as well as training, respect the principle of equal opportunities for all employees, regardless of their ethnic origin, gender or age. Employees can approach the ESE cell which is responsible for registering employee grievances and facilitating the resolution of grievances. In the year 2009-10,

33 cases of employee grievances were received by the ESE cell, out of which 22 complaints were resolved satisfactorily and the balance are in process of redressal. To fulfill its mission of making BPCL a great place to work, the ESE cell undertakes visits to upcountry locations to personally interact with the staff posted there. During the year more than 65 group meetings were held by ESE all over the country covering more than 1,300 management and non-management employees.

A significant portion of our employees are represented by labor unions. We negotiate collective bargaining agreements including decisions on any operational changes and extensions with these unions. We do not prevent any of our employees on their right to choose or be part of any collective body.

Respecting Human Rights

Responsible operations and business practices help us manage risks, foster a positive business climate, improve stakeholder relations and gain access to global resources. We respect the human rights of all stakeholders and raise awareness of related issues across the organisation. We have the challenge of ensuring that employees, business partners, security forces and others are aware of these expectations, and that relevant stakeholders receive training on these aspects.

A significant portion of our workforce is contractor-based and we work closely with them to ensure the contract labor entering our premises are well equipped and trained to carry out our operations in a safe and efficient manner. On account of the capacity expansion of our refineries at MR and KR, there has been an increased inflow in the

contract labor. Of our Marketing SBUs, LPG employed the maximum number of contractual labor in 2009-10²⁷ followed by Retail, Aviation and Lubes. We prohibit the deployment of child labor and forced labor in our sites. Our security personnel have been trained to maintain a strict vigil on under-age workers entering the premises.

Knowledge management

We aim to make knowledge management an inherent part of the daily activities especially in terms of awareness on safety aspects and procedures. Towards our endeavor of fostering talent by nurturing people, in 2009-10 a total of 146,256 manhours of training were imparted to our management employees²⁸ while our non-management employees participated in training that amounted to 101,512 manhours.

We are working towards creating business leaders for tomorrow who share the ethos of the company in creating a long term stakeholder value for a sustainable future. We understand the importance of grooming our next generation leaders and invest in necessary trainings. We have launched an initiative to validate the organizational culture, values and competencies with a view on the business imperatives for future, to build a robust framework of assessment for all levels. The framework endeavours to build a sustainable leadership pipeline by linking the assessments to all critical HR processes viz. career planning, progressions etc

The company's training, mobility, assessment and other policies and programs allow it to manage the careers of the people who make up the organization in an integrated way. We ensure that the training provided to our

²⁶BPCL and NRL

²⁷This year, we have included contract laborers from operations including security personnel, housekeeping as well as the contract laborers for projects who were involved in construction activities at sites

²⁸Includes marketing employees at all marketing SBUs and Refineries



NURTURING PEOPLE, FOSTERING TALENT

Training manhours at BPCL²⁹

| | 2007-08 | 2008-09 | 2009-10 |
|---------------------------------|---------|---------|---------|
| Management employees | 56,704 | 79,744 | 101,512 |
| Non-management employees | 125,184 | 108,368 | 146,256 |
| Contract labour | 271,470 | 351,287 | 576,589 |
| GATs | 68,088 | 112,619 | 88,592 |
| Apprentices | 79,184 | 318,645 | 448,528 |

employees is a right mixture of technical, functional and interpersonal domains. In order to use the superior level of performance of few employees as a benchmark, it was decided that we should develop Competency based models for various roles. 360 degree assessment of the competencies was done as part of project CALIBER for the middle and upper management categories to assess the strengths and areas of improvement. This was followed up with targeted developmental programs for individuals in collaboration with several premier institutes. Innovative learning platforms like e-learning, case study competitions, experiential learning have also been integrated within the learning framework, the efficacy of which is being evaluated through reassessments.

Internal mobility at BPCL is seen as an opportunity for the professional development of employees exposing them to various facets of the business. Internal mobility includes job

rotation – geographical and intra-functional. This enables us to create multi-talented workforce while contributing to the career development of individuals.

Focusing on the strategic thinking skill set, the talent management group of the corporate HRD organized a customized program for 37 employees in the senior management category at ISB Hyderabad in May 2009. The participants examined the idea of sustained strategic competitive advantage as the primary source of value creation.

While it is important to constantly nurture talent at the management level, it is equally important to ensure that the competency of the people involved at ground level in the operations is enhanced continually. The contract labor³⁰ at our refineries and marketing SBUs³¹ received a total of 576,589 manhours of training, significantly up from 351,286 manhours in 2008-09. The GATs and

Apprentices at our refineries received a total of 537,120 manhours of training³² on the job during the year.

Special emphasis was given to training programs with a thrust to reinforce safety culture in the organization. In this direction, several training programs and workshops covering workplace health, workplace security & surveillance and safe driving were arranged regularly across SBUs.

During the year, “Bharatgas University”, a knowledge portal developed by LPG SBU, was upgraded to include a learning management system and additional e-learning programs on functional topics in LPG operations.

Educating the Trade Unions

Aiming to apprise Trade Union leaders about the global economic crisis, its impact on BPCL and the way ahead, a workshop was organized for them in the western region. The leaders were urged to align themselves to the realities of global challenges with a view to combat the crisis efficiently. The leaders were given cognitive inputs to cope with the present challenge by formulating apt strategies with a positive attitude.

At Kochi refinery, a half day information sharing exercise was conducted for the employee unions covering aspects of OHSAS 18001, ISO 9001 and 14001.

²⁹Training manhours for GATs and Apprentices are only for refineries

³⁰We have asked the sites to furnish data for the last 3 years for training as we have included training imparted to all contract labor on site which was not reported in totality last year

³¹Training imparted to PCVO crew has also been included

³²The entire time spent by GATs and Apprentices has been considered as training







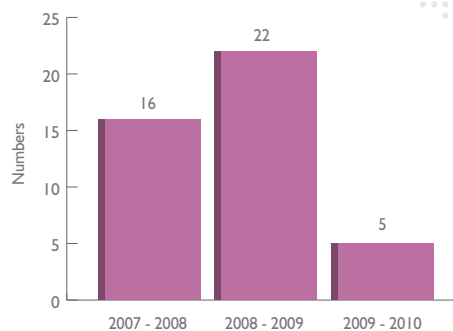
ENSURING SAFETY AND SECURITY, PROMOTING HEALTH

The main objective of the initiatives undertaken and to be planned in the future at our locations continues to be the reduction of the frequency and severity of accidents, as well as the prevention and mitigation of the risks associated with our operations.

Creating safe workplaces

The protection of our employees, of the communities around our operations, and of our production assets is our major priority, regardless of the excellent results obtained in the past. We have prioritized this as a key focus area for us to build a sustainable workforce for the future.

Lost Time Injuries at refineries



This year, at our refineries, the employee injury frequency rate was 0.017. The contractor injury frequency³³ rate was 0.043, down significantly from 0.18 last year. The severity rate for contract labour was 2.54, down by a huge margin from 63.86 last year. The total lost time injuries have come down from 22 last year to just 5 this year. We deeply regret the loss of three lives due to work related fatalities at our refineries. We are further strengthening our safety management systems in an endeavor to achieve zero fatality.

Safety performance at all our marketing SBU's also improved significantly with drop in the lost time injuries from 13 last year to just 4 this year. In the process we lost only 147 mandays to these injuries as compared to 621 mandays last year.

| | 2007-08 | 2008-09 | 2009-10 |
|-----------------------------------|---------|---------|---------|
| Refineries (including NRL) | | | |
| Near misses | 34 | 75 | 168 |
| Minor injuries | 7 | 24 | 18 |
| First aid cases | 30 | 49 | 32 |
| Lost time injuries | 16 | 22 | 5 |
| Lost days ³⁴ | 787 | 5,563 | 292 |
| Marketing SBUs | | | |
| Lost time injuries | 53 | 13 | 4 |
| Lost days | 206 | 621 | 147 |

A testimony to our improved safety performance at the refineries has been the fact that Mumbai Refinery completed 4 million manhours³⁵ without LTA on 31st March 2010 and Kochi Refinery completed 15 million accident-free manhours on 30th August 2009. NRL extended its run of accident (LTA) free manhours to 8 years and 1 month (as on 31st March 2010) which is equivalent to a commendable 14 million accident free manhours.

All our refineries are OHSAS 18001 certified and strive for continuous improvement in operational safety. During the year KR upgraded its accreditation to OHSAS 18001:2007.

At our refineries, the overall safety performance is reviewed every quarter in the Management Safety Committee meeting which is chaired by Director (Refineries). There is an apex manual (OHSMSM) which provides the framework for safety management. Recognizing the good work done by the forum, KR's joint HSSE committee was adjudged the Best Safety Committee by the NSC, Kerala Chapter for the year 2009-10.

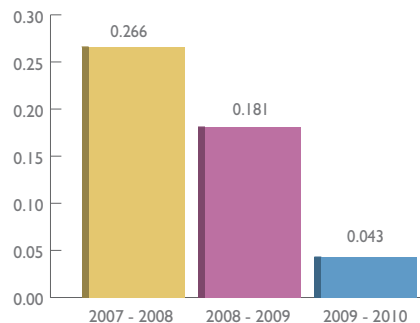
Across our SBUs and refineries, close to

9.73% of our full time employees³⁶ are part of joint safety committees with each location dealing with important health and safety aspects that arise due to day to day operations.

Fostering safety culture

Safety of contract labour is given high importance and is treated at par with the safety of our own employees. Only experienced contractors are allowed to work in the refineries. Supervisors and employees of the contractors are trained at regular intervals. Mandatory safety training by BPCL for all contract labour and supervisors is a pre-requisite for obtaining a gate pass for working inside the refinery.

Lost Time Injury Frequency Rate at refineries - contract labour



A first in BPCL, a new module on Personal Protective Equipments System, went live in Kochi Refinery in October. This module displays the details of PPE's issued to eligible employees for a period and makes them more aware of the minimum safety equipment they are supposed to wear thereby increasing safety awareness. We also ensure proper use of PPEs through inclusion of safety specific clauses in collective bargaining agreements across our SBUs.

We believe in not only training our own employees, but also other stakeholders who are a part of our safety journey. A 6 month certificate course in Fire Safety Engineering for engineering graduates/science graduates/diploma holders was inaugurated at KR this year. Around 24 participants enrolled in the program. The main objective of the program is to enhance the employability of the participants in the field of Fire safety. KR also tied up with the Kerala State Fire & Rescue Services to equip firemen in the state services to respond to hazardous chemical emergencies more scientifically, through a series of two-day workshops.

Regular reviews of onsite emergency plans and mock drills are conducted at our refineries. This year we conducted a specific drill on handling gas leak from mounded bullets and measures were recommended to disperse and dilute vapor cloud in the emergency area.

Conducting safety talks for the truck driver community has been high on our agenda considering the nature of our products. A "Drive Safely" booklet was released at the annual HSSE awards this year which highlighted safe driving tips for drivers of tank lorries, trucks and even two and four wheelers. This was aimed to reduce the accidents on road and encourage safe driving practices

³³Frequency rate and severity rate are sans the fatalities

³⁴The values for 2007-08, 2008-09 restated in consistency with global safety reporting practices. The lost days pertain only to the lost time injuries and do not include lost days of 6000 per fatality as per The Factories Act, 1948.

³⁵LTA free manhours corresponds to cumulative performance that may extend beyond the reporting period

³⁶BPCL & NRL - Management & Non-Management employees

ENSURING SAFETY AND SECURITY, PROMOTING HEALTH

Endorsing safe use of products

We believe in the motto 'Pure for Sure' and strive to deliver quality product to our consumers. We have four NABL accredited testing laboratories and our products have regularly been tested for superior quality. We assess customer satisfaction through periodic surveys intended to capture the feedback of the customers on various aspects of our products and services.

Although health and safety impacts of our products have not been formally assessed along the entire value chain, we understand the need for safe manufacture, use and disposal of our products. We provide our customers with necessary information about the products and their safe usage as mandated by various regulatory bodies. Many of our LPG retailers have conducted workshops highlighting the safety precautions during use and disposal of LPG cylinders to housewives and local communities.

Promoting health for workforce

Our employees would perform at their potential when they maintain a healthy lifestyle and we strive to provide necessary channels for their benefit through regular medical camps, awareness sessions and access to premium healthcare.

In the last year, awareness programs covering preventive and personal care on swine influenza, kidney care and management of renal disorders, heart care, diabetes, and eye care were undertaken across the organization for employees and in some cases their families and the local community as well

With the objective of reducing absenteeism due to life style based diseases, and thereby increasing productivity, in-plant training for the operating personnel was organized on creating awareness on the adoption of life style changes to live a quality and healthy life. A full day seminar was organized for Union representatives on life style diseases with the help of external faculty in April'09

At our regional office – North, a cancer awareness camp for women was organized. 48 women employees took advantage of the session where special equipment was brought by M/s Fortis. At Chennai transit flats, we arranged medical checkup for catering staff and other contract labor in a phased manner to enhance hygiene standards and service with help of Ranbaxy.

Responding to requests made at the local suppliers and vendors meet as part of the vigilance week, KR conducted a free medical camp for the contract laborers. Over 350 people including few poor villagers living near

the refinery availed of the services and made this event a huge success.

Workplace security

Workplace security remained a key concern for the entire sales network in general and oil & gas storage locations in particular. Locations were operating under the frequent security alerts raised from time to time even as they kept the supply and distribution chain uninterrupted. Security preparedness and response was ensured at all locations across the country.

Kochi Refinery has been making trials of a databank pertaining to health of all BPCL-KR employees. They have procured software to capture, update and maintain the data. This will help them in the easy retrieval of relevant health related information of the employees in case of emergencies.

We have developed an in-house "security scorecard" to assess the emergency preparedness and adequacy of the security set up at the site which are rated on certain fixed parameters including competency on a scale of 100. This scoring system was used by locations to assess the site security preparedness and was reviewed by regional and corporate HSSE role holders for deploying appropriate security measures.

Train the trainer on 'Workplace health and hygiene'

We started this initiative as a pilot in the year 2008 with an objective to increase awareness on workplace health and hygiene among employees and contract labor at marketing locations. The trainers were equipped with training modules in both English and Hindi, in order to enable them to train non-management employees and contract labor at their respective workplace. The results were encouraging and this year we expanded this initiative to cover southern region by training 25 HSSE role holders from installations, LPG bottling plants, aviation stations, and regional office based entities. The genesis of the initiative is – while people know everything about health, there is little or no effort at individual level to apply the knowledge in day-to-day life in terms of food diet, physical fitness, stress management, hygiene practices, and lifestyle management.

Further, as a continuity measure refresher workshop was arranged for trainers trained during the pilot phase.



Security Preparedness at our locations

As a competency building process for HSSE Role holders at locations, Corporate HSSE in coordination with Regional HSSE council, organized two day workshop on 'Workplace Security & Surveillance' in close co-ordination with State Police / CISF experts at some of our vital locations. The training module had built-in session for 'Case Study' during which participants in three groups deliberated on the given scenarios for security preparedness followed by group presentations. Based on the feedback from the participants, the review panel concluded that such training should be undertaken at all locations to create synergy in the area of security preparedness.



DEVELOPING SUSTAINABLE COMMUNITIES

We build long term relationships by investing in our communities. Our commitment towards boosting local development involves initiatives in the fields of education, water conservation, health, community development and environment conservation.

At BPCL, we believe that developing communities is an integral part of our contribution towards building a sustainable future. This year our focus was to develop a robust internal CSR structure including a company wide CSR policy. A 5 member committee was entrusted to formulate this policy which was subsequently signed by the Board and C&MD in December'09. A CSR blog, *Ummang* was created to share the employee volunteering experiences and also capture various CSR projects being undertaken across the company. For the first time we captured these energized efforts of our employees and we accomplished 1,921 volunteering hours in 2009-10.

This year we have included CSR targets as a part of our MoU with MoP&NG and we have achieved all our targets for 2009-10.

| | 2009-10 Performance | 2010-11 Targets |
|---------------------------|--|---|
| Education | 2,700 children (Through project CAL) | 5,000 children (Over 3 years) |
| Water Conservation | Supply to 5 Villages (Through project Boond) | Supply to 9 villages |
| Income Generation | Enhanced livelihood of 120 Women through vocational trainings | Provide livelihood to 300 unemployed youth |

Imparting Education

Education creates awareness and helps in building a secure future which in turn fosters the development of the country. Keeping in mind the indispensable value of education, we provide various educational services to our local communities. Donating science laboratories, development of infrastructure for schools, self-entrepreneurship guidance programs, aptitude tests and career guidance programs, imparting computer education and scholarship programs are some of our educational initiatives.

At Kochi Refinery, considerable social development has been achieved by extending primary education to the villages around. Every year, thousands of poor students studying in 17 schools benefit through the various schemes of Kochi Refinery, which include noon meal assistance, uniform donation, scholarships and intelligence



enhancement program. This year, an amount of ₹ 1.4 million was spent for educational assistance. The needs and requirements of many neighboring schools were identified and schemes were implemented with a focus on improving the facilities in Government and private schools in the state. Kochi Refinery has also undertaken the responsibility of setting up a science park to promote scientific temper among children in the Ernakulum district by joining hands with the SRV School.

Numaligarh and Mumbai Refinery have supported various educational initiatives such as adoption of schools, counseling for students, scholarships and felicitation programs for encouragement of excellence in studies.

Kochi Refinery launched an "Integrity Club" in Cochin Refineries School in Feb 2010. Integrity club is a corporate initiative for rekindling human values in school children based on the directive of the Central Vigilance Commission. The aim was to help students transform themselves as young champions of ethics.

In order to emphasize the significance of 'Education is must and a basic need for all children', many retail installations have conducted programs for tank lorry crew members with an aim of creating awareness about the importance of education and encouraging people to educate their children. As a token of communicating this message, notebooks were provided to all participants who had school-going children.

Project CAL (Computer Aided Learning) was initiated in collaboration with NGO 'Pratham' to impart computer education to around 2700 children of Zilla Parishad schools near our Uran LPG plant. The project intended to

minimize the digital divide between urban and rural children and also accelerate overall academic progress. Around 100 BPCL employee volunteers from across the company enthusiastically participated in the project by volunteering to teach children Mathematics and English. In addition, a session was held to orient the staff and family members of Uran about the project and seek more volunteers to take the movement ahead. The collaboration with NGO 'Pratham' would be extended to initiate an education programme in two Districts i.e Nandurbar in Maharashtra & Sagar in Madhya Pradesh. Through the project we will be reaching out to around 50,000 children in the next three years.

Providing Healthcare

Creating awareness and providing healthcare services is one of our social responsibility thrust areas. Maintaining a healthy environment is vital for development of sustainable communities. Various initiatives such as conducting medical camps, extending universal health insurance, providing monetary aid for treatments and development of health care infrastructure for community have benefited many communities around our operations.



²BPCL and NRL

²⁷This year, we have included contract laborers from operations including security personnel, housekeeping as well as the contract laborers for projects who were involved in construction activities at sites

²⁸Includes marketing employees at all marketing SBUs and Refineries

DEVELOPING SUSTAINABLE COMMUNITIES

Tripunithura Taluk Hospital: With over 650 outpatients and 146 inpatients on an average being treated everyday, this hospital is one of the most important Government hospitals in the district and lacked infrastructure facilities such as operation theatres and surgical equipment to keep pace with the growing medical requirement of people.

BPCL extended financial assistance for constructing an operation theatre and labor room at Tripunithra Hospital at a cost of ₹ 2.51 million. Following the construction, modern medical equipment worth ₹ 0.6 million was also donated to the Taluk Hospital. In 2003, we had equipped the hospital to store blood and the unit was donated as well. Since then, the facility has been of critical help especially in emergency cases.

In association with ML Dhawale Trust, Medicare is provided for patients in Mahul. On an average 300 patients are benefited every month through this initiative. We also provided financial assistance towards cataract surgery for 15 cataract patients. In order to create awareness among villagers, talks on various health issues like parenting, marital issues, and addiction are given by expert doctors at our community centre. The medical camp conducted at Washala



benefited 384 patients, wherein medical consultation and free medicines were provided. Also a medical camp conducted at the Narayan Acharya School, Mahul benefited 564 children. BPCL Servant colony at Balwadi which is run by Mobile crèche provides daily nutrition and care to 35 children. In addition to all these initiatives, counseling on prevention and control of HIV/AIDS was given for a total of 1,000 truck drivers, lorry crew and cleaners.

Building Community Infrastructure

A substantial portion of the geographical area in our country comprises of villages. These villagers face a number of difficulties ranging from lack of infrastructure, medical facilities and access to basic amenities to inefficient means of transportation. Responding to the needs of the villagers is our corporate

responsibility and in order to fulfill the same we have adopted 37 villages across India. This adoption included making substantial investments in them for nearly a decade and a half to make them completely self reliant, providing them with access to fresh drinking water, sanitation facilities, medical facilities, rehabilitation, enhancing their income standards by imparting vocational training, agricultural innovations and providing electricity.

Adoption of SC Colonies in Kochi

Following the success of adopting Scheduled Caste Colonies, in 1994 six Harijan colonies of Vadavucode Puthencruz Panchayat and Tripunithura Municipality were adopted. An integrated sanitation package was extended to the colonies. Systems for disposal of waste water and solid waste were set up. More efficient pressure cookers were also donated.



Project Boond

Continuing for the fourth year, Project Boond has been instrumental in developing and providing access to water sources in many villages. The project included cordoning of natural springs, roof top harvesting, de-silting of ponds, stone pitching, repair of wells, excavation of new wells and construction of KT bund walls with vents. This year Project Boond IV was successfully completed in 3 villages near Kasagra Ghat as well as 2 in Bharatpur. Our vision for the next five years would be to transform 150 villages from "Water Scarce to Water Positive"

Arresting salinity in Periyar river

High salinity in the lower reaches of Periyar River, the life line of Kerala, is a perennial problem. Kochi refinery provided funds for setting up two Bridge and Lock-cum-regulators across Periyar River at Manjummel and Pathalam. This initiative will help in arresting the salinity ingress and ensure adequate availability of water during lean periods. The initiative is being implemented with a total cost of ₹ 175 million which would benefit all people of Kochi city and suburbs, farmers of rural Ernakulam and all small and large industries in the District.

Restoring Thannerchal lake

Kochi Refinery along with Thiruvankulam Panchayat has initiated the revival of the lake by removing waste, weeds, vegetation, de-silting and construction of earthen bunds. After the completion of the project, the lake covering 10 acres shall serve as natural resource of water and will result in raising the water table of surrounding areas. The project is also envisaged as an eco tourism initiative which would help tourists to understand the importance of revival and maintenance of our natural resources.

Creating water supply schemes

Our Numaligarh refinery has worked towards improving the availability of drinking water in nearby villages. These schemes have benefited many villages with better access to water sources.

Conserving Environment

We are reliant for survival on the environment; and hence, conserving the environment is of significant importance for a sustainable future.

In association with the Kerala State Pollution Board and National Safety Council, BPCL Kochi Refinery Learning Centre organized a one day workshop on Environmental

Legislation for Industries. The main aim of this workshop was to create awareness among industries on the importance of environmental legislation in the contemporary world and contribute to the overall development of the society and economy.

Flamingo Festival

BPCL sponsored the much publicized Flamingo Festival which was organized by Bombay Natural History Society (BNHS). Thousands of bird lovers and general public made a beeline to the jetty all through the afternoon where over 15,000 Greater Flamingos and about two dozen other waders on the mud-flats near Sewri Jetty provided a mesmerizing sight that charmed Mumbaikars, young and old.



Tree Plantation

By partnering with communities, NGO's and our business associates we have conducted tree plantation drives at various locations. We also conduct tree plantation drives on special events like World Environment Day to communicate the significance of trees in our ecosystem.

Capacity building for NGOs

For the first time a Capacity Building Session of NGO partners working on water conservation with BPCL was organized in Chennai on 12 & 13th November 2009. A field visit near Chennai was also organized to see the completed work of Dhan Foundation (our NGO partner) and also interact with villagers on their participation, contribution and ownership after exit.



Sammohik Rasoi Ghar (community kitchen)

Community kitchens are safe, effective, environment friendly and offer a unique convenience to villagers. Keeping all these objectives in sight, BPCL along with other OMCs has taken a proactive lead to establish community kitchens. Necessary grants were secured by Government of India during the year. We intend to pilot the initiative in the eastern regions of Raiganj, Kolkata, Khurda and Durgapur.

Goa LPG Territory took a small step towards a greener environment by converting the Holy Family Convent at Sanaole from wood fuel to LPG where the institute was facing difficulties while cooking.

ASSURANCE STATEMENT



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Fax: +91 33 2281 7750
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Independent Assurance Statement

The Management and Board of Directors

Bharat Petroleum Corporation Limited
Mumbai, India.

OUR ENGAGEMENT

Ernst & Young Pvt. Ltd. (EY) was retained by Bharat Petroleum Corporation Limited (the Company) to provide an independent assurance on its Sustainable Development Report for the financial year 2009-10. The Company's management is responsible for engagement with stakeholders, identification of key issues and the collection and presentation of the information contained in the report. EY's responsibility, as agreed with the management of the Company, is to provide independent assurance on the report content as described in the level of assurance and confirming the GRI application level. Our responsibility in performing our assurance activities is to the management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any dependence that any such third party may place on the Report is entirely at its own risk. The assurance report should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

ASSURANCE STANDARD AND LEVEL

Our assurance engagement was planned and performed in accordance with ISAE 3000^A and to meet the requirements of a Type 2 moderate level assurance engagement as defined by AA1000AS(2008)^B. The assurance

principles of Inclusivity, Materiality and Responsiveness, as outlined in AA1000AS (2008), and GRI 2006 (GRI G3) guidelines were used as criteria against which to evaluate the Report.

OUR APPROACH

In order to form our conclusions we undertook the following key steps:

1. Reviewed the Company's approach to stakeholder engagement and processes for determining material issues through interviews and review of relevant documents with issue owners at the corporate office and at the following 15 sites across the Strategic Business Units (SBUs) mentioned : Mumbai (Mahul), Kochi, Numaligarh (Refineries), Chennai (Aviation), Bijwasan, Mathura, Panipat (Retail), Tondiarpet (Retail and Lube), Budge-Budge (Retail and Lube), Cherlapally (Retail and LPG), Pune (LPG), and Wadi (Lubes).
2. Interviewed select key senior personnel of the Company to understand the current processes in place for capturing sustainability performance data as per GRI G3 and corporate guidelines, and the progress made during the reporting period.
3. Reviewed processes and supporting evidence for collecting, compiling, and reporting select indicators at the corporate and site levels.
4. Interviewed the Company's select stakeholders including middle and junior management, union leaders, dealers, transporters, tank lorry drivers, distributors, contractors, security personnel, NGOs and communities.
5. Reviewed the local systems and processes in place for managing and reporting on the Company's sustainability activities at the 15 sample sites visited. Information pertaining to workforce, training, safety and selected claims made in the Report was reviewed centrally at the Corporate Office.

SCOPE AND LIMITATIONS

The scope of the assurance covers sites and indicators considered relevant to the Company and include:

- Data and information related to the Company's sustainability performance for the period 1 April 2009 to 31 March 2010;
- The Company's internal protocols, processes, and controls related to the collection and collation of sustainability performance data;
- Sustainability specific data and information related to materials, energy, air emissions, water and waste management, workforce, safety, security, community initiatives and training and covering six Strategic Business Units (SBUs) namely, Refineries, Aviation, Industrial & Commercial, LPG, Lubes and Retail.
- Visits to fifteen sample sites, where our work comprised review of the above mentioned indicators for these SBUs.

Exclusions

The assurance scope excludes:

- Aspects of the Report other than those mentioned under "Scope and Limitations";

^AInternational Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information; Limited assurance
^BAA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability.

- Data and information outside the defined reporting period i.e. 1 April 2009 to 31 March 2010;
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention provided by the Company;
- 'Economic performance indicators' included in the Report, which we understand, are derived from the Company's audited financial records;
- The Company's retail outlets, joint ventures and subsidiaries (other than Numaligarh Refinery Limited).

OUR CONCLUSIONS

On the basis of our review scope and methodology, our conclusions are the following:

- Inclusivity: We are not aware of any matters that would lead us not to conclude that the Company has applied the inclusivity principle in engaging with key stakeholder groups.
- Materiality: Barring aspects of the Report listed in "Exclusions" we are not aware of any material aspects concerning the Company's sustainability performance which have been excluded from the Report. Nothing has come to our attention that causes us not to believe that the Company has applied its processes for determining material issues to be included in the Report.
- Responsiveness: The Company is committed to being responsive to its stakeholders as is evident from the various forums it has employed for the purpose. We are not aware of any matters that would lead us not to conclude that the Company has applied the responsiveness principle for engaging with its stakeholders on materials aspects covering its sustainability performance. The Company may further enhance its engagement with its stakeholders on its sustainability initiatives and encourage feedback.
- On the basis of our scope of review and methodology, nothing has come to our attention that causes us not to believe that:
 - The data relating to materials, energy, air emissions, water and waste management, workforce, safety, community initiatives and training has been presented fairly, in material respects, in keeping with the AA1000AS (2008) assurance principles.
 - The Company has reported as per A+ application level of the GRI 2006 (GRI-G3) guidelines.

OBSERVATIONS AND OPPORTUNITIES FOR IMPROVEMENT

Key additional specific observations have been outlined below. These observations do not affect our conclusions on the Report set out above.

- The Company has engaged with different external stakeholders to further engage on issue related to its sustainability initiatives;
- Intensive efforts at strengthening the security across the Company's operations and development of security assessment scorecard to assess emergency preparedness were found to be note-worthy;
- This year, the Company has increased its SBU coverage by including certain significant details of its Gas SBU.

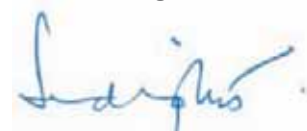
We were informed by the Company that detailed sustainability information for this SBU would be included in future reports.

- The Company has reported on its direct and indirect CO2 emissions. However, certain emission factors have been revised with respect to previous years. It is recommended that the Company may consider revisiting direct and indirect CO2 emissions reported for previous years and incorporate revisions based on the new emission factors.
- Waste management has been established across all the SBUs; however, the current systems may be further reinforced with clear guidelines on waste categorization, segregation, disposal and reporting.
- Water management across the SBUs needs to be managed more comprehensively. The Company may consider assessing its corporate water footprint.
- While the focus on deployment of Company-wide training is evident, there is scope for improving the determination of efforts invested and man-hours trained. Further, documentation of training for durations less than 8 hours needs to be more robust.

OUR ASSURANCE TEAM AND INDEPENDENCE

Our assurance team, comprising of multidisciplinary professionals, has been drawn from our climate change and sustainability network and undertakes similar engagements with a number of significant Indian and international businesses. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics⁶ for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

for Ernst & Young Private Limited



Sudipta Das
Partner
10 October 2010
Kolkata



⁶International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. This Code establishes ethical requirements for professional accountants. The guidance related to network firms was updated in July 2006.

CONTENT INDEX

| | Standard disclosure | Extent of Reporting | Page number | Supplementary explanation |
|-----------|---|---------------------|-----------------|--|
| 1. | Strategy and Analysis | | | |
| 1.1 | Statement from the most senior decision-maker of the organization | Full | 4, 5 | - |
| 1.2 | Description of key impacts, risks, and opportunities. | Full | 13, 15, 16, 19 | |
| 2. | Organizational Profile | | | |
| 2.1 | Name of the organization. | Full | Cover page | - |
| 2.2 | Primary brands, products, and/or services. | Full | 9, 10 | - |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures. | Full | 10 | - |
| 2.4 | Location of organization's headquarters. | Full | Back cover page | - |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | Full | 3 | - |
| 2.6 | Nature of ownership and legal form. | Full | 9 | - |
| 2.7 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Full | - | Please refer our Annual Report 2009-10 page no. 36 and 45. |
| 2.8 | Scale of the reporting organization. | Full | 9, 10 | For additional information refer page no. 15, 16, 17, 18 and 19 of 2009-10 annual report |
| 2.9 | Significant changes during the reporting period regarding size, structure, or ownership. | Full | 3A | new SBU for Gas has been formed in the reporting year |
| 2.10 | Awards received in the reporting period. | Full | 11 | - |
| 3. | Report Parameters | | | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | Full | 3 | - |
| 3.2 | Date of most recent previous report (if any). | Full | 3 | - |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Full | 3 | - |
| 3.4 | Contact point for questions regarding the report or its contents. | Full | 55 | |
| 3.5 | Process for defining report content. | Full | 13, 14, 15, 16 | - |
| 3.6 | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance. | Full | 3 | - |
| 3.7 | State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope). | Full | 3 | Specific limitations (if any) pertaining to the performance indicators reported have been detailed in the individual sections. |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations. | Full | 3 | - |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols. | Full | 3 | Relevant explanations have been provided in the individual sections, where necessary. |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | Full | 3 | Relevant explanations have been provided in the individual sections, where necessary. |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | Full | 3 | Relevant explanations for changes in measurements methods have been included in the report, where necessary. http://www.bharatpetroleum.in/sustainability/ |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | Full | 3 | - |
| 4. | Governance, Commitments, and Engagement | | | |
| 4.1 | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | Full | 19 | - |

| | | | | |
|------|--|------|----|---|
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Full | 19 | Please refer our Annual Report 2009-10 for additional information. |
| 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | Full | 19 | - |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Full | 19 | Please refer our previous sustainability report (2008-09) for comprehensive information on our stakeholder engagement. |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance). | Full | 19 | Please refer our Annual Report 2009-10 for additional information. |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Full | 19 | Please refer our Annual Report 2009-10 page no. 61 and 62 for additional information. |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics. | Full | 19 | Please refer our Annual Report 2009-10 for additional information. |
| 4.8 | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | Full | 19 | Please refer our corporate website www.bharatpetroleum.in for additional information. |
| 4.9 | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | Full | 19 | - |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | Full | 19 | - |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | Full | 19 | Precautionary principle aspects are implicit in our governance framework. |

| | | | | |
|-----------|--|------|------------|--|
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. | Full | 19 | - |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic. | Full | 19 | - |
| 4.14 | List of stakeholder groups engaged by the organization. | Full | 14 | - |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Full | 14 | Please refer our previous sustainability report (2008-09) for comprehensive information on our stakeholder engagement. |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Full | 14 | Please refer our previous sustainability report (2008-09) for comprehensive information on our stakeholder engagement. |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | Full | 14 | - |
| DMA EC | Disclosure on Management Approach – EC | Full | 21 | - |
| DMA EN | Disclosure on Management Approach – EN | Full | 25, 29, 33 | - |
| DMA LA | Disclosure on Management Approach – LA | Full | 37, 41 | - |
| DMA HR | Disclosure on Management Approach – HR | Full | 22, 37, 41 | - |
| DMA SO | Disclosure on Management Approach – SO | Full | 19, 45 | - |
| DMA HR | Disclosure on Management Approach – PR | Full | 42 | - |

| Report section | GRI | | API/PIECA | | Page number | Extent of Reporting | Supplementary Explanation |
|--|--------------------------------------|---------------------------------|----------------------------|--------------------------------|-------------|---------------------|---|
| | Core | Additional | Core | Additional | | | |
| Performing for a purpose | EC 1, EC 3, EC 4, EC 6, EC 8 | | ECO 1, ECO 2, ECO 3 | ECO A2, ECO A3, SOC A4, | 21, 22, 23 | Full | |
| Managing energy efficiently | EC 2 | | | | 29, 30, 31 | Full | |
| Nurturing people, fostering talent | EC 7 | | | | 37 | Full | |
| Responsible governance | EN 28 | | | | 19 | Full | |
| Performing for a purpose | EN 30 | | ENV 6 | | 23 | Full | |
| Consuming resources responsibly | EN 1, EN 2, EN 22, EN 23, EN 27 | | ENV 1 | ENV A1, ENV A3, ENV A4, ENV A5 | 25, 26, 27 | Full | |
| Managing energy efficiently | EN 3, EN 4, EN 16, EN 17, EN 26 | EN 5, EN 7, EN 18, EN 19, EN 20 | ENV 3, ENV 4, ENV 5 | ENV A6, ENV A8 | 29, 30, 31 | Full | EN17: We are augmenting capacities to monitor other relevant GHG emissions. Other GHG emissions are not reported for 2009-10. |
| Conserving water | EN 8, EN 11, EN 12, EN 21 | EN 10 | ENV 2, ENV A9 | ENV A2, ENV A7 | 33, 34, 35 | Full | |
| Responsible governance | LA 13 | | | | 19 | Full | Please refer page no. 52-55 of our Annual Report 2009-10 for additional information. |
| Performing for a purpose | LA 3 | | | | 21, 22 | Full | |
| Nurturing people, fostering talent | LA 1, LA 2, LA 4, LA 5, LA 10, LA 14 | LA 11, LA 12 | SOC 5, SOC 6 | SOC A2 | 37, 38, 39 | Full | LA 4: (Partial) Information on percentage of employees covered under collective bargaining agreements is currently unavailable. |
| Ensuring safety and security, promoting health | LA 7, LA 8 | LA 6, LA 9 | H&S 1, H&S 2, H&S 3, H&S 4 | | 41, 42, 43 | Full | |
| Developing sustainable communities | LA8 | | | | 45, 46 | Full | |
| Responsible governance | PR 6, PR 9 | PR 4, PR 7 | | | 19 | Full | PR6: All marketing communication related to our products and services adhere to ASCI voluntary standards on marketing and communications |
| Ensuring safety and security, promoting health | PR 1, PR 3 | PR 2, PR 5 | H&S 5 | | 41, 42, 43 | Full | |
| Responsible governance | SO 2, SO 3, SO 4, SO 5, SO 7, SO 8 | | SOC 2 | SOC A1 | 19 | Full | |
| Developing sustainable communities | SO 1 | | SOC 8 | SOC A5 | 45, 46, 47 | Full | |
| Performing for a purpose | HR 1, HR 2 | | | | 21, 22, 23 | Full | HR2: (Partial) Information on percentage of significant suppliers and contractors that have undergone screening on human rights and action taken is currently not available |
| Nurturing people, fostering talent | HR 4, HR 5, HR 6, HR 7 | | SOC 1, SOC 7 | SOC A3 | 37, 38, 39 | Full | |
| Ensuring safety and security, promoting health | | HR 3,HR 8 | SOC 9 | | 41, 42, 43 | Full | |

Our 2009-10 Annual Report can be accessed from our website: www.bharatpetroleum.in

Our 2008-09 Sustainability Report can be accessed from our website: www.bharatpetroleum.in

GLOSSARY

| | | | | | | | |
|----------|--|----------|--|--------|---|--------|---|
| AIDS | Acquired Immunodeficiency Syndrome | COCO | Company-owned company-operated | IPIECA | International Petroleum Industry Environmental Conservation Association | OBC | Other Backward Classes |
| ASCI | Advertising Standards Council of India | CEM | Continuous emissions monitoring | IISc | Indian Institute of Science | ODS | Ozone Depleting Substance |
| API | American Petroleum Institute | DoPT | Department of Personnel and Training | IIT | Indian Institute of Technology | OMCs | Oil Manufacturing Companies |
| ABCI | Association of Business Communicators of India | DGM | Deputy General Manager | ISB | Indian School of Business | PCVO | Professional Commercial Vehicle Owners |
| ASSOCHAM | Associated Chambers of Commerce and Industry of India | ED | Executive Director | JV | Joint Venture | PMO | Prime Minister's Office |
| BARC | Bhabha Atomic Research Center | ESE Cell | Employee Satisfaction Enhancement Cell | KR | Kochi Refinery | PBT | Profit Before Tax |
| BPCL | Bharat Petroleum Corporation Limited | ERP | Enterprise Resource Planning | LNG | Liquefied Natural Gas | P&L | Profit and Loss |
| BROMA | Bharat Petroleum Retail Outlet Maintenance Application | EBMS | Ethanol Blended Motor Spirit | LPG | Liquefied Petroleum Gas | PSU | Public Sector Undertaking |
| BREL | Bharat Renewable Energy Limited | E&P | Exploration and Production | LTAs | Lost-Time Accidents | PFS | Pure For Sure |
| BS | Bharat Stage | FY | Financial Year | MW | Megawatt | PPE | Personal Protective Equipment |
| BAIF | Bharatiya Agro Industries Foundation | FICCI | Federation of Indian Chambers of Commerce and Industry | MBTU | Million British Thermal Units | R&D | Research and Development |
| BSC | British Safety Council | GJ | Giga Joules | MR | Mumbai Refinery | ROs | Retail Outlets |
| BIS | Bureau of Indian Standards | GPS | Global Positioning System | MoU | Memorandum of Understanding | RBNQA | Ramakrishna Bajaj National Quality Award |
| BBL | Barrel | GoI | Government of India | MDG | Milennium Development Goals | RLNG | Re-gasified Liquefied Natural Gas |
| BCCI | Bombay Chamber of Commerce and Industry | GATs | Graduate Apprentice Trainees | MMT | Million Metric Tons | RWH | Rainwater Harvesting |
| BNHS | Bombay Natural History Society | GHG | Greenhouse Gases | MoP&NG | Ministry of Petroleum and Natural Gas | SCO | Supply Chain Optimization |
| CAG | Comptroller and Audit General | GDP | Gross Domestic Product | MS | Motor Spirit | SEBI | Securities and Exchange Board of India |
| CISF | Central Industrial Security Force | GRI | Global Reporting Initiative | NACE | National Association of Corrosion Engineers | SEZ | Special Economic Zone |
| CAL | Computer Aided Learning | HSSE | Health, Safety, Security and Environment | NRMB | Natural Rubber Modified Bitumen | SBU | Strategic Business Unit |
| CVC | Central Vigilance Commission | HSD | Hi-Speed Diesel | NABL | National Accreditation Board for Testing and Calibration Laboratories | SDCV | Small Distance Commercial Vehicle |
| C&MD | Chairman and Managing Director | HIV | Human Immunodeficiency virus | NGOs | Non-government organizations | TERI | The Energy and Resources Institute |
| CFO | Chief Finance Officer | HRS | Human Resource Services | NRL | Numaligarh Refinery Limited | TMT | Thousand Metric Tons |
| CVO | Chief Vigilance Officer | HR | Human Resources | NSC | National Safety Council | TII | Transparency International India |
| CDM | Clean Development Mechanism | HRD | Human Resources Department | OHSAS | Occupational Health and Safety Assessment Series | UNFCCC | United Nations Framework Convention on Climate Change |
| CNG | Compressed Natural Gas | INR | Indian Rupees | OGCF | Oil and Gas Conservation Fortnight | | |
| CSR | Corporate Social Responsibility | I&C | Industrial and Commercial | OISD | Oil India Safety Directorate | | |
| CII | Confederation of Indian Industry | IT | Information Technology | OIDB | Oil Industry Development Board | | |
| CPO | Central Procurement Organization | IMC | Indian Merchant's Chamber | OSTS | One Stop Trucker-cum-Tourist Shop | | |
| | | IPP | Integrity Pact Program | | | | |
| | | ISO | International Organization for Standardization | | | | |

EPILOGUE



'Building a Sustainable Future' is our fourth report sharing BPCL's sustainable development performance for 2009-10. We are proud indeed to report that the assurance providers for this report have accredited A+ rating acknowledging the fact that the reporting is at highest application level of GRI 2006 (GRI G3) guidelines. This is the third consequent year reporting with A+ rating by independent assurance provider.

During the year, locations were fully engaged in the areas of workplace health, safety, security and environment at the respective workplaces involved in refining, storage & distribution and marketing where neighbouring communities and stake holders are benefited. The fulfilling support and timely interventions from Management was encouraging and inspiring throughout the year. The sustainable development in BPCL has thus become co-created reality over the years.

This year we have released a hand book on rainwater harvesting to disseminate knowledge and best practices on the topic. This provided the much needed impetus at many of our locations to replicate the best practices in rainwater harvesting. This year we have made efforts to adopt a focused dialogue process with select employees and stakeholders on our sustainable development agenda. The insights from these engagement sessions have helped us in prioritizing the material issues. We aim to expand the stakeholder engagement on our sustainable development agenda to include inputs from all our stakeholders as brought out by our assurance providers.

With corporate focus on sustainable development year-on-year, we have build a clear road map for building a sustainable future for us. We are proud of our achievements and strive to enhance and seize new opportunities in the area of sustainable development.

Mr. D K Mane

Head – HSSE

SHARE YOUR FEEDBACK





In our journey towards sustainable development, we greatly value the feedback from our stakeholders, which would go a long way in improving the reporting process and information disclosure. We encourage you to provide your valuable feedback on “Building a Sustainable Future”, our 2009-10 Sustainable Development Report.

Please send in your comments to:

Mr. J.S.Bhatia
Senior Manager (Carbon Capture)

Email: bhatiajs@bharatpetroleum.in

| | | C | C+ | B | B+ | A | A+ | | |
|-----------|---------------------|---|---------------------------|---|---------------------------|---|--|---------------------------|---|
| Mandatory | Self-declared | | Report Externally Assured | | Report Externally Assured | |  | Report Externally Assured | |
| | Third-party checked | | | | | | | |  |
| Optional | GRI checked | | | | | | | | |



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